

CF
3P
AR

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK
Index No. 110949/96

PHYLLIS SMALL and DENISE FUBINI,
individually, and on behalf of
others similarly situated,

Plaintiffs,

-against-

LORILLARD TOBACCO COMPANY, INC.,
LORILLARD, INC., LOEWS
CORPORATION COUNCIL FOR TOBACCO
RESEARCH-USA, INC. (successor to
Tobacco Industry Research
Committee) AND TOBACCO INSTITUTE
INC.,

Defendants.

VIDEOTAPED
DEPOSITION UPON
ORAL EXAMINATION
OF
BARBARA REUTER

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK
Index No. 110951/96

MARY ANN HOSKINS, Executrix of
the Estate of Edwin Paul
Hoskins, WALTINA BROWN and DANTE
AUBAIN, individually, and on
behalf of others similarly
situated,

Plaintiffs,

-against-

R.J. REYNOLDS TOBACCO COMPANY,
RJR HABISCO, INC., COUNCIL FOR
TOBACCO RESEARCH-USA, INC.
(successor to Tobacco Industry
Research Committee), AND TOBACCO
INSTITUTE, INC.,

Defendants.

Property of: Ness, Motley
Main PI File Room
Charleston, SC

2062821991

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK
Index No. 110953/96

SHARLENE HOBERMAN and AUDREY
HULSE, as executrix, on behalf
of the Estate of Lewis Hulse,
individually, and on behalf of
others similarly situated,

Plaintiffs,

-against-

BROWN & WILLIAMSON TOBACCO
CORPORATION, B.A.T. INDUSTRIES,
P.L.C., BATUS, INC., BATUS
HOLDINGS, INC., COUNCIL FOR
TOBACCO RESEARCH-USA, INC.
(successor to Tobacco Industry
Research Committee), AND
TOBACCO INSTITUTE, INC.,

Defendants.

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK
Index No. 110950/96

ROSE FROSINA, ELIZABETH COLAVITO:
and ANILDA ROSS, individually,
and on behalf of others
similarly situated,

Plaintiffs,

-against-

PHILIP MORRIS, INC., PHILIP
MORRIS COMPANIES, INC., COUNCIL
FOR TOBACCO RESEARCH-USA, INC.
(successor to Tobacco Industry
Research Committee), AND TOBACCO
INSTITUTE, INC.,

Defendants.

2062821992

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK
Index No. 110952/96

CATHERINE ZITO, PETER HOBERMAN,
and GEORGE ELISSEOU, individually,
and on behalf of others
similarly situated,

Plaintiffs,

-against-

v.

THE AMERICAN TOBACCO COMPANY,
INC., AMERICAN BRANDS, INC.,
COUNCIL FOR TOBACCO RESEARCH-USA,
INC. (successor to Tobacco
Industry Research Committee),
AND TOBACCO INSTITUTE, INC.,

Defendants.

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA
Civil Action No. 95CV-5903

WILLIAM BARNES, et al.,

Plaintiffs,

v.

THE AMERICAN TOBACCO COMPANY,
INC., et al.,

Defendants.

TRANSCRIPT of testimony as taken by
and before DEANNA J. DEAN, Certified Shorthand
Reporter and Notary Public, at the offices of
DECHERT PRICE & RHOADS, 30 Rockefeller Plaza, New
York, New York, on Tuesday, September 9, 1997,
commencing at 9:39 a.m.

1 A P P E A R A N C E S :

2 LEVIN FISHBEIN SEDRAN & BERMAN
3 BY: JONATHAN SHUB, ESQ.
4 Suite 600
5 320 Walnut Street
6 Philadelphia, Pennsylvania 19106
7 For the plaintiffs, William Barnes, et al.
8 (215) 592-1500

9 GOODKIND LABATON RUDOFF & SUCHAROW
10 BY: MARTIS ANN BRACHTL, ESQ.
11 100 Park Avenue
12 New York, New York 10017
13 For the plaintiffs in the New York actions
14 (212) 907-0700

15 DECHERT PRICE & RHOADS
16 BY: ROBERT C. HEIM, ESQ.
17 4000 Bell Atlantic Tower
18 1717 Arch Street
19 Philadelphia, Pennsylvania 19103-2793
20 For the deponent and defendant Philip Morris
21 (215) 994-2570

22 ARNOLD & PORTER
23 BY: DUANE J. MAUNEY, ESQ.
24 555 Twelfth Street, N.W.
25 Washington, D.C. 2004-1206
 For the deponent and defendant Philip Morris
 (202) 942-5379

26 A L S O P R E S E N T :

27 JIM ROBERTS, videographer

2062821994

Waga & Spinelli (973) 992-4111

I N D E X

<u>WITNESS</u>	<u>DIR</u>	<u>CRS</u>	<u>RED</u>	<u>REC</u>
BARBARA REUTER				
by Mr. Shub	7			152
by Ms. Brachtl		132		
by Mr. Heim		145		
by Mr. Shub				152

E X H I B I T S

<u>NUMBER</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
Reuter-1	Draft Competitive Analysis by B. Reuter	.. 115

2062821995

1 VIDEO OPERATOR: Going on the
2 record.

3 The time is approximately 10:39.
4 This is the videotape deposition of Barbara Reuter,
5 taken by the plaintiff, in the matters of, under the
6 Supreme Court of the State of New York, County of
7 New York, Sharlene Hoberman, et al. v. Brown &
8 Williamson, et al.; Rose Frosina, et al. v. Philip
9 Morris, et al.; Catherine Zito, et al. v. American
10 Tobacco, et al.; William Barnes, et al. -- under
11 Eastern District of Pennsylvania -- v. American
12 Tobacco, et al; under Supreme Court, State of New
13 York, Phyllis Small, et al. v. Lorillard Tobacco
14 Company, et al.; Mary Ann Hoskins, et al. v. R.J.
15 Reynolds, et al.

16 Counsel will please introduce
17 themselves, and the court reporter will swear in the
18 witness.

19 MR. HEIM: My name is Bob Heim. I'm
20 here representing Philip Morris and the witness.

21 MR. MAUNEY: My name is Duane
22 Mauney. I'm here representing Philip Morris and the
23 witness.

24 MS. BRACHTL: I'm Martis N. Brachtl
25 from Goodkind, Labaton, Rudoff & Sucharow, here on

1 behalf of the plaintiffs in the New York actions.

2 MR. SHUB: Jonathan Shub,
3 representing the plaintiffs in the Barnes action.

4
5 B A R B A R A R E U T E R, having been duly sworn
6 according to law, testifies as follows:

7
8 DIRECT EXAMINATION BY MR. SHUB:

9 Q. Good morning, Ms. Reuter. My name
10 is Jonathan Shub, as I previously stated. I'm here
11 today with Ms. Brachtl. I represent the plaintiffs
12 in a case styled Lawrence, et al., v. American
13 Tobacco, et al., a case in federal court in
14 Philadelphia.

15 You're here this morning to answer
16 questions that I ask, and before we start that
17 process, I'd like to just quickly go over a few
18 ground rules with you, which I'm sure your counsel
19 has already done, but I just want to make sure we
20 understand on the record.

21 First of all, you understand you
22 have to give audible responses, so that the court
23 reporter can pick up yeses and nos and not sighs or
24 shakes of the head. Is that clear?

25 A. Yes, I do.

1 Q. Good.

2 If you want to take a break at any
3 time, of course you can let either your counsel or
4 me know, and we certainly will accommodate you.

5 I'm going to assume, Ms. Reuter,
6 that if you answer a question that I pose, that
7 you've heard the question and understand it. If you
8 don't, for some reason, understand my question or
9 don't hear it, please ask me to rephrase it so that
10 it is more clear to you. Is that fine?

11 A. Um-hum. Yes.

12 Q. Are you presently employed?

13 A. Yes.

14 Q. And you're employed by whom?

15 A. By Philip Morris.

16 Q. Is that Philip Morris U.S.A.?

17 A. Yes, I'm currently working for Philip Morris
18 U.S.A.

19 Q. Have you ever worked for any other
20 entities related or owned or in some way having a
21 relationship with Philip Morris U.S.A.?

22 A. Yes.

23 Q. And what entities or entity would
24 that be?

25 A. I was hired by the corporation. I

1 originally worked for corporate -- our Philip Morris
2 corporate division. I have also worked for our
3 international division when we owned the 7-Up
4 Company. I was employed by 7-Up International as
5 well.

6 Q. And those would be all the entities
7 related in some way to Philip Morris U.S.A. that
8 you've worked for?

9 A. Well, Philip Morris corporate is the
10 umbrella organization. Philip Morris U.S.A. is an
11 operating company, as was Philip Morris
12 International -- as is Philip Morris International.

13 Q. Have you described all the companies
14 that you've worked for that are related to Philip
15 Morris corporate?

16 A. Yes.

17 MS. BRACHTL: I'm sorry. Excuse me.
18 I'm having a great deal of difficulty hearing the
19 witness. Perhaps it's because of this air
20 conditioner. Perhaps we could do something about
21 that, or I could move, or perhaps the witness could
22 speak up a little bit.

23 Q. Okay. Maybe you could raise your
24 voice a little bit.

25 MR. HEIM: Yeah. If you can,

1 without, you know, without it being a distraction to
2 you, that would be fine. But in the meantime I'll
3 try to do something about the air conditioning in
4 the background. Because I think it's the background
5 noise where you're sitting, Martis, that's creating
6 the problem. Because I can hear fine.

7 MS. BRACHTL: Thank you.

8 MR. MAUNEY: I'll --

9 MR. HEIM: Could you do that?

10 MR. MAUNEY: [complies].

11 MS. BRACHTL: Thank you.

12 Q. What is your present position with
13 Philip Morris?

14 A. I'm presently a category director in the
15 marketing department of the domestic cigarette
16 business.

17 Q. How long have you been a category
18 director -- been a category director in the
19 marketing department?

20 A. I've been a category director in the
21 marketing department for three years.

22 MR. HEIM: That noise was, I hope,
23 an effort to solve the problem, not make it worse.

24 Q. What are your responsibilities as a
25 category -- let me strike -- is there more than one

1 category director --

2 A. Yes.

3 Q. -- in the marketing department?

4 A. Yes. There are a number of category
5 directors.

6 Q. Approximately how many are there?

7 A. I think there are four.

8 Q. What are your responsibilities as a
9 category director?

10 A. My current responsibilities as category
11 director are to plan and manage the promotional
12 portfolio of the company, and to also develop the
13 systems that support that portfolio management.

14 Q. What do you mean by "promotional
15 portfolio"?

16 A. We market a range of cigarette brands that
17 make up our current portfolio, and we promote them
18 in a number of different ways. It's my job to work
19 with all the brand groups to consolidate all their
20 brand plans into a company-wide portfolio plan. We
21 plan by month a whole range of promotional
22 activities.

23 Q. So is it fair to say for an example,
24 Marlboro is a brand group and Merit is a brand group
25 and Parliament are brand groups. Is that how it's

1 broken down?

2 A. Yes.

3 Q. It's by label?

4 A. Yes. By brand, by brand name.

5 Q. Who do you report to currently in
6 your position?

7 A. Roy Ennis.

8 Q. Have your responsibilities as a
9 category director changed over time, in the three
10 years that you've assumed that position?

11 A. Yes. In the first two years I was the
12 category director of premium brands. The premium
13 brands are defined as Merit, Virginia Slims,
14 Parliament, and Benson & Hedges.

15 Q. Why do they assume the label
16 "premium brands"? What does that signify?

17 A. In the cigarette business, there are
18 premium-priced products and there are discount
19 products. A premium product is a -- is a full-
20 priced cigarette brand.

21 Q. How many different branding labels
22 are there, other than premium brands?

23 A. Well --

24 MR. HEIM: You mean for Philip
25 Morris?

2062822002

1 MR. SHUB: For Philip Morris.

2 A. For Philip Morris, we have our premium
3 brands as one brand group. Marlboro is also a
4 premium brand, but we treat it separately because
5 it's such a big brand. And then we have a discount
6 category which includes brands like Basic and
7 Cambridge. And then there are famous value brands
8 which are basically private label brands that we
9 manufacture for specific retailers.

10 Q. So there's three --

11 A. There are three primary groups.

12 Q. -- three primary.

13 Why didn't you put Marlboro in that
14 first category of premium brands when you were
15 answering my question and you told me that Merit,
16 Virginia Slims, Parliament, and Benson & Hedges were
17 in that group?

18 A. Because I did not have responsibility for
19 Marlboro. Marlboro has a separate category director
20 that just worries about Marlboro because it's so
21 big.

22 Q. In your current position as category
23 director, does Marlboro fall under your
24 responsibility now?

25 A. Now, it does, because I'm actually managing

1 the overall portfolio of which Marlboro is a key
2 part. My responsibilities have changed.

3 Q. Who did you report to the first two
4 years?

5 A. Suzanne Levan.

6 Q. Do you have individuals at the
7 company that directly report to you currently?

8 A. Yes.

9 Q. And how many individuals report to
10 you, other than support staff?

11 A. There are two people who report to me now.

12 Q. What are their names?

13 A. Dave Seville and Sue McVeety.

14 Q. Do you work out of the Philip Morris
15 corporate offices in New York?

16 A. Yes.

17 Q. As a general matter, can you
18 describe the activities that comprise the
19 promotional portfolio as you would describe that.

20 A. The promotion portfolio is all the
21 promotional activities that we do to support our
22 brands. It includes such things as price
23 promotions, product promotions, continuity
24 promotions, direct mail events.

25 Q. The promotional portfolio is

2062822004

1 separate from the advertising side of the marketing
2 business?

3 A. The advertising side of the business is
4 media-based, primarily. I think that's what you're
5 talking about. I have nothing to do with that. The
6 only advertising that plays on the promotional side
7 of marketing has to do with point-of-sale materials
8 and direct mail materials. That's different from
9 buying advertising space.

10 Q. Ms. Reuter, is it fair to call you a
11 senior manager at Philip Morris?

12 A. I don't think of myself as a senior manager,
13 per se. We have a corporate hierarchy, and you can
14 argue where senior begins and ends. I am an
15 executive and a manager of the corporation, but I
16 don't think of myself as a senior executive.

17 Q. Where, in your mind, does the senior
18 management begin? You know where it ends, but where
19 does it begin?

20 A. Well, to my mind, the senior management is
21 made up of the corporate officers.

22 Q. And anyone that's not a corporate
23 officer should not be considered, in your mind, a
24 senior manager, correct?

25 A. One can argue that "senior" has different

1 connotations in different discussions at different
2 points in time --

3 Q. Sure.

4 A. -- depending upon where you are in the
5 corporation.

6 But the true senior management group
7 of any corporation, to my mind, are those who are
8 actually corporate officers.

9 Q. But you would certainly consider
10 yourself at the management level at the company?

11 A. Yes. I've been at the management level of
12 the company for a long time.

13 Q. Explain, if you could, what you mean
14 by developing systems to support the promotional
15 portfolio.

16 A. Well, we have computer systems that are
17 designed to help brand groups plan the details of
18 their promotions, so it's also now my responsibility
19 to make sure that we develop the right computer
20 systems to support the management of the portfolio,
21 because we're dealing with a lot of activities. And
22 in this day and age, if you're trying to manage a
23 lot of anything, one tends to turn to computers to
24 do that.

25 Q. So you have expertise in computer

1 systems?

2 A. I do not. The people who work for me do.

3 Q. And those are the two individuals
4 that you previously identified?

5 A. Yes.

6 Q. Let's just take price promotion as
7 an example. How do you go about doing your job of
8 managing that promotion? I just want to get a sense
9 of what you do.

10 A. Each brand group decides what kind of a
11 marketing mix they're going to use to promote their
12 brand. In the cigarette business, there are a
13 variety of tools to use to market a brand. The
14 brand group gets together and decides which tools
15 they're going to use. Price promotion is one such
16 tool. It's a tool that's used, actually, by all
17 consumer product companies. It's a tool that it
18 makes sense to use on a premium brand occasionally.
19 It's not something one uses all the time on a
20 premium brand, because if you did that, it would
21 become a discount brand. So it's -- you pick and
22 choose when you would use that particular tool, when
23 you think it makes sense from a consumer point of
24 view in a given marketplace.

25 Q. Okay. What specifically do you do

1 in planning and managing the price promotion aspect
2 of the promotional portfolio?

3 A. It's my job to meet with the brands and
4 collect all the things they are planning to do in a
5 given cycle, and the cycle we're dealing with now is
6 1998. So I meet with them and take all that
7 information and lay it out across the calendar for
8 all the brands, and then look at that calendar and
9 make observations and recommendations as to changes
10 we might want to consider that would give us a more
11 optimal promotion plan than one that's based on the
12 fragmented points of view of different brand groups.

13 MR. HEIM: May I interrupt for just
14 a moment? I wonder if we could have an
15 understanding that at least till the end of the day
16 or for a few days, the transcript is confidential.

17 MR. SHUB: Um-hum.

18 MR. HEIM: And then I can let you
19 know, Jonathan, whether there's any need for me to
20 maintain it as confidential or ask for a different
21 category. And that way I won't have to be concerned
22 about questions that might go to current business
23 plans.

24 MR. SHUB: Sure. That's absolutely
25 acceptable. We've done that on a number of

1 occasions in other depositions in Philip Morris
2 cases.

3 MR. HEIM: Okay. Thank you.

4 MR. SHUB: Actually, I think it's
5 even provided for in the case management order.

6 Q. So it's fair to say that you do that
7 with -- that coordination with all the different
8 activities that comprise the promotional portfolio?

9 A. Yes.

10 Q. Sounds to me that you must have some
11 interaction with marketing research in order to do
12 your job. Is that correct?

13 A. Yes.

14 Q. And who do you interface with at
15 marketing research? Who provi -- well, let me
16 rephrase that.

17 How do you use the marketing
18 research component to help you in your position?

19 A. Well, marketing research provides the
20 forecast for each of the brands. The brand groups
21 identify the size of the promoted deals they plan to
22 offer to the consumers, and work with finance to
23 develop the amount of promoted volume we expect to
24 get from a promotion. And I look at the promoted
25 volume across the portfolio to see how that relates

1 to the overall forecast that market research is
2 coming up with, so we begin to get a feel for what
3 our business will look like.

4 Q. And in the marketing research
5 forecast that you just mentioned, I would assume
6 that it's analyzed and that forecasts are made in a
7 number of different types of categories; in other
8 words, older smokers, younger smokers, educated,
9 noneducated. Is that fair to say, that you break it
10 down by consumer group and demographics?

11 A. No.

12 Q. Okay.

13 A. No. The forecasts are based more upon
14 historical trends and industry decline rates than
15 they are upon -- and taxation, than they are upon
16 trying to guess smoker demographics.

17 Q. Does Philip Morris study smoker
18 demographics?

19 A. Yes.

20 Q. Do you have occasion to review any
21 analysis of smoker demographics in your position?

22 A. Yes. I -- I'm always interested in who our
23 consumers are and what they think.

24 Q. Do you break it down at times by
25 geography?

- 1 A. Yes, we look at geographical skews.
- 2 Q. Do you look at educational levels?
- 3 A. Yes.
- 4 Q. Do you look at income levels?
- 5 A. Yes.
- 6 Q. Do you look at age levels?
- 7 A. Yes.
- 8 Q. With respect to age levels, do you
- 9 study smoking patterns of individuals that are, say,
- 10 16 to 19 years of age?
- 11 A. We study adult smokers. To us, that's age
- 12 21 and above. There is a university study that's
- 13 published that picks up smokers 18 years of age and
- 14 up.
- 15 Q. And does Philip Morris have interest
- 16 in that study?
- 17 A. We look at the study.
- 18 Q. And do you use that study in any way
- 19 in engaging in any forecasts for your product
- 20 brands?
- 21 A. Not that I'm aware of. But I'm not the
- 22 person who does the forecasts, nor am I the person
- 23 who does the market research.
- 24 Q. Who does the forecasts?
- 25 A. The forecasts are worked on by a number of

1 people. Tom Saloon supplies the forecasts to me.
2 He's a manager within the market research group.
3 But he -- he doesn't do this alone. There are a
4 number of people that work on it.

5 Q. Who heads up the marketing research
6 efforts?

7 A. Carolyn Levy oversees marketing research
8 now.

9 Q. Do you have interaction with Dr.
10 Levy?

11 A. Very little, now.

12 Q. Have you had interaction with
13 Dr. Levy in the past, in other positions?

14 A. Yes.

15 Q. And what positions would you say you
16 had -- well, strike that.

17 Have you ever had what you would
18 call a regular interaction with Dr. Levy?

19 Let me rephrase it.

20 Was there a time that you and
21 Dr. Levy were working together at the company, on
22 projects or issues?

23 A. Yes.

24 Q. And when would that be?

25 A. Yes.

1 We worked together on the Table
2 project, back in the early '90s. And she followed
3 me as a director of planning, so I had some
4 interaction with her when she took over that job
5 from me a number of years ago.

6 Q. Are you senior to Dr. Levy in the
7 corporate structure at the company?

8 A. No.

9 Q. Is she senior to you?

10 A. Yes.

11 Q. Are you aware of doc -- strike that.
12 Have you ever seen -- let me strike
13 that.

14 Does Philip Morris engage in
15 internal studies of smoker demographics, or is that
16 farmed out? Is that outsourced? A study of smoker
17 demographics, is that something that's conducted
18 internally?

19 A. I don't know specifically what you're
20 getting at. Most of the market research we do is
21 managed by Philip Morris people, but it's done by
22 outside firms.

23 Q. Um-hum. That's what I was getting
24 at.

25 Are you aware of -- let me rephrase

1 it.

2 Do you think, Ms. Reuter, that it
3 would be inappropriate for Philip Morris to engage
4 in analysis of smoking habits of teenagers, those
5 that are less than 18 years of age?

6 MR. HEIM: Object to the form.

7 A. Will you repeat the question?

8 Q. Sure.

9 MR. SHUB: You can read it back.

10 Thank you.

11 (Last question read back by the reporter.)

12 A. I personally think it would be inappropriate
13 for us to do that. And to my knowledge, in my
14 experience, we have never done that.

15 Q. So it would be fair to say that it
16 would surprise you if you found out that there were
17 memoranda authored by Philip Morris personnel that
18 discussed the smoking habits of teenagers. Is that
19 fair?

20 MR. HEIM: Objection. Lack of
21 foundation.

22 Q. You can answer.

23 A. I personally have no knowledge of this.
24 There have been press reports on this stuff, and I
25 do read newspapers, but I personally have no

1 knowledge of it.

2 Q. Sure.

3 I'm going to move to strike that
4 answer as nonresponsive. Let me ask you the
5 question again.

6 Would it surprise you if you learned
7 that those press reports were indeed true, that
8 there were Philip Morris memoranda that were
9 authored by Philip Morris employees, that analyzed
10 the smoking habits of teenagers?

11 MR. HEIM: I'm going to object to
12 that question for form, for lack of foundation, and
13 for mischaracterization.

14 Q. Let me -- let me try to rephrase it.
15 Would it surprise you if you learned
16 that there were Philip Morris memoranda that
17 analyzed smoking patterns of teenagers?

18 MR. HEIM: I'm going to continue my
19 objection. You can answer the question. You can
20 answer, Barbara.

21 A. Part of me wouldn't be surprised if you
22 found all sorts of strange things in a company our
23 size. All I know about this is what I've read in
24 the newspapers, and I don't know whether it's
25 truthful or not.

1 Q. So it wouldn't surprise you if you
2 found that there were Philip Morris employees
3 analyzing the smoking habits of teenagers. Is that
4 your answer?

5 MR. HEIM: Well, objection.

6 A: No. No.

7 Q. Well, I'm not sure what you're --
8 I --

9 A. I -- we're a big company, and a lot of
10 people have worked for us in many different
11 capacities over the years. I don't know whether
12 what I've read in the press about this is true or
13 false.

14 Q. Okay. Do you know Myron Johnston?

15 A. Yes.

16 Q. Do you respect Myron Johnston
17 professionally?

18 A. Myron Johnston did some research in the
19 company years ago that was presented to me; I
20 couldn't even tell you which study at the time. I
21 found some of his work interesting.

22 Q. What do you mean by that?

23 A. He had studied the industry for many years
24 and had done some interesting research. I mean, I
25 just remember going to a session where his research

1 was presented and being impressed by it.

2 Q. Do you remember reading any
3 documents where Myron Johnston analyzed the smoking
4 habits of teenagers?

5 A. No.

6 Q. Do you know Jon Zoler?

7 A. Yes.

8 Q. Is Mr. Johnston, by the way, still
9 with the company?

10 A. I think he retired.

11 Q. Is Mr. Zoler with the company?

12 A. No.

13 Q. Did you work with Mr. Zoler?

14 A. I knew Jon Zoler. He was heading up market
15 research at a time when I was in marketing working
16 on the promotion side. I did not work closely with
17 Jon Zoler.

18 Q. Would it surprise you if you knew
19 that Mr. Johnston was studying the habits of teenage
20 smokers?

21 MR. HEIM: Objection. Lack of
22 foundation; and form.

23 A. Yes, but I was not aware of all the work he
24 was doing.

25 Q. Sure.

1 A. I wouldn't really have a clue as to what his
2 whole, you know, collection of studies and work was.
3 I just would not know that. You need to talk to
4 market research people who worked with him and who
5 were there at the time.

6 Q. Is there a company policy regarding
7 the analysis -- regarding whether it is appropriate to
8 analyze the smoking habits of teenagers?

9 A. I don't know if there's a written policy,
10 but it's always been clear to me that we are
11 marketing an adult product and therefore our
12 marketing is directed to adults and to people who
13 choose to smoke, to adult smokers.

14 Q. Do you know roughly the share that
15 Philip Morris currently has in the domestic
16 cigarette market? All brands. Roughly.

17 A. Yeah. Yes.

18 Q. And roughly, is it about 45 to 50
19 percent?

20 A. Yes.

21 Q. How much of that share comprises
22 smokers from the ages of 12 to 18?

23 A. I have no idea.

24 Q. Does Philip Morris -- strike that.
25 Do you believe there is someone in

1 that -- someone in your company that would know the
2 answer to the question of what percentage of the
3 market is made up by smokers 12 to 18 years of age?

4 A. No, I don't think anybody would know that.

5 Q. Why wouldn't anyone know that?

6 A. Because the only way to know that is to go
7 and ask all the people to get the information, and
8 to my knowledge, we don't do that kind of research.

9 Q. Would you have knowledge at least
10 that they make up some percent of the market; maybe
11 you don't know what it is, but they do make up a
12 percent of the market for Philip Morris?

13 A. I have personally observed young people
14 smoke, so I therefore think that there are people
15 below the age of 21 and below the university data of
16 18 who smoke.

17 Q. Isn't it, therefore, then,
18 important, Ms. Reuter, for Philip Morris to know
19 something about that category of smokers?

20 MR. HEIM: Objection. Vague and
21 argumentative.

22 A. We market cigarettes to smokers, to people
23 who choose to smoke. We do not go looking for
24 people who don't smoke or for people who are
25 underage. That's not where we plan.

1 Q. But smoker -- but we agree that
2 there are individuals that are underage that smoke,
3 correct?

4 A. Yes. I have personally observed them.

5 Q. But there's no -- are you saying
6 that there's no documents or documentation at Philip
7 Morris that would acknowledge that people under 18
8 smoke, right?

9 MR. HEIM: Objection.
10 Mischaracterizes prior testimony.

11 A. I don't know. I mean, I don't know what --
12 what -- I have not read all the documents at Philip
13 Morris.

14 Q. Well, in your professional
15 experiences as a marketing --

16 A. In my experience --

17 Q. -- manager?

18 A. -- I have never seen such a thing.

19 Q. We'll move on to another topic
20 momentarily. I just want to close with this
21 question: Is it fair to say, then, that Philip
22 Morris ignores in its marketing research that aspect
23 of the market, and "that aspect" being those that
24 are under 18 years of age?

25 MR. HEIM: Objection to form.

1 A. It's my understanding and my experience that
2 we do not research that group, and we don't have any
3 firm knowledge or data on that segment of the
4 population.

5 Q. And that segment, therefore, goes
6 unstudied by Philip Morris?

7 A. To my knowledge, that's correct.

8 Q. Okay. Prior to your being a manager
9 of premium brands, which I think you said you were
10 for the first two years of this position that you
11 now have, what were you doing at Philip Morris
12 before that time?

13 In other words, let's go back
14 chronologically. I think we're up to 1994, '90 --
15 we've covered the '94 to '97 time frame, I believe.
16 Now we want to go back in time, from '94 backwards.

17 A. Backwards? You want to go backwards?

18 Q. Right. Unless, of course, it's
19 easier to go from the time you first started
20 forward. I'll leave you with that choice.

21 A. Yes, it's easier to go --

22 Q. Forward?

23 A. -- forward --

24 Q. Let's go forward.

25 A. -- than to go backward.

2062822021

1 Q. Okay. Let's start --

2 A. It's more positive.

3 Q. Okay. Let's start at where you
4 graduated college, now that we're going to go
5 forward.

6 A. All right. I graduated from Skidmore
7 College in 1968.

8 Q. With a degree in what?

9 A. I have a degree in business -- a major in
10 business and a minor in art.

11 Q. And you sought employment upon
12 graduation. Is that fair to say?

13 A. That's -- well, yes and no.

14 Q. Okay.

15 A. What I really wanted to do was to change my
16 major.

17 Q. I thought you were going to say
18 "change the world," but --

19 A. Well, I had wanted to do that earlier than
20 that.

21 Q. In 1968 I thought a lot of you guys
22 wanted to do that.

23 A. That was in 1966, I wanted to change the
24 world. By '68, no.

25 But, anyway, I went on to Columbia

1 to get a master's in art because I wanted to pursue
2 my art interest rather than my business interest.
3 So I got a master's degree, and then proceeding to
4 try to get a teaching assignment.

5 Q. When did you get your master's
6 degree?

7 A. In '69.

8 Q. Okay.

9 A. I then actually worked at Bloomingdale's
10 while I was waiting for my teaching credentials to
11 come through, in their management training program;
12 and then taught art, high school art.

13 Q. What year were you a manager
14 trainee?

15 A. I'm sorry?

16 Q. In what period were you a manager
17 trainee at Bloomingdale's?

18 A. Bloomingdale's? When I graduated from
19 Columbia, so it was --

20 Q. '70?

21 A. Yeah, '69 into '70. But, then I -- you see,
22 in the middle of the year, I got through Christmas
23 and then my license came through and I started
24 teaching.

25 Q. What did you teach?

1 A. High school art.

2 Q. Okay. For how long?

3 A. Well, for the rest of that year, and decided
4 that I was not going to spend my life doing that.

5 Q. Okay.

6 A. So I went back to Columbia to get another
7 master's degree and a doctorate in art, with the
8 idea of teaching art at a college level. I
9 graduated from Columbia in -- I believe it was '74
10 by then.

11 Q. With a?

12 A. An MA, an MED, and an EDD.

13 -- and went to teach. And I taught
14 for the City University and Long Island University.
15 I did that and decided I did not want to spend the
16 rest of my life teaching Art History 101 to people
17 who didn't care. So I then --

18 Q. What years were you teaching at the
19 university?

20 A. '75. And in February of 1976, I joined
21 Philip Morris to give money away.

22 Q. I'm sorry. "To give money away"?

23 A. Yes. I was --

24 Q. How did you go about getting that
25 position?

1 A. I decided that if I was going to go into
2 business, I was not going to abandon my art interest
3 completely. I was going to join a company that had
4 a cultural bias, an interest in the arts. At that
5 time there were only three companies that had that
6 bias: Mobil Oil, Exxon, and Philip Morris. Exxon
7 didn't need anybody. They were fully staffed. Herb
8 Schmertz was at Mobil Oil at the time and was
9 interested in me, but wasn't ready to hire me. And
10 Jim Bowling at Philip Morris was interested in and
11 he hired me.

12 Q. And Jim Bowling hired you?

13 A. Yes, in February of 1976. I joined Philip
14 Morris to manage their corporate giving program.
15 And a good bit of their corporate giving program
16 goes to the arts and to higher education, both areas
17 in which I had experience and expertise.

18 Q. Do you remember who else you
19 interviewed at Philip Morris when you came in '76,
20 other than Mr. Bowling?

21 A. Yes.

22 Q. Who?

23 A. It was a stress interview. Ed Grief and
24 Frank Saunders were also in the room at the time.

25 Q. "Ed Grief" --

1 A. Yes.

2 Q. -- did you say?

3 What was Saunders' position during
4 that period, do you remember?

5 A. He was -- he was actually the director of
6 public relations.

7 Q. And Mr. Grief's position?

8 A. He was a director of public affairs on the
9 government side.

10 Q. When you joined Philip Morris in
11 1976, were you a smoker?

12 A. No.

13 Q. Have you ever been a smoker?

14 A. No.

15 Q. In 1976 were you under the belief
16 that smoking was a risky behavior for human health?

17 A. I was aware of the public concern, as any
18 citizen was who read the newspapers, and -- so I was
19 aware of it, yes.

20 Q. You had read in the newspaper about
21 the Surgeon General reports, starting in 1964?

22 A. Yes. I do read newspapers.

23 Q. So you knew that the Surgeon General
24 had concluded that smoking was hazardous to one's
25 health?

1 A. Yes.

2 Q. And what was your personal feeling
3 about joining a company that sold cigarettes? Did
4 you have any ambivalence about that?

5 A. No. I was delighted to find a corporation
6 that had a commitment and an interest in the arts
7 that was genuine and far-reaching.

8 MR. SHUB: Why don't we take a
9 five-minute break.

10 VIDEO OPERATOR: Off the record at
11 11:26.

12 (Brief recess taken.)

13 VIDEO OPERATOR: Back on the record
14 at 11:45.

15 BY MR. SHUB:

16 Q. Ms. Reuter, let's pick up where we
17 left off. In 1976 you joined Philip Morris, and
18 what was your formal title in that first position
19 you had?

20 A. I was manager of corporate contributions.

21 Q. How long were you in that position?

22 A. It was two or three years. And then I was
23 also given the additional responsibility of consumer
24 affairs.

25 Q. Manager of consumer affairs?

1 A. It was corporate contributions and consumer
2 affairs. That was added to it.

3 Q. Who did you report to in '76?

4 A. Jim Bowling. Well, I should say I reported
5 to Jim Bowling in point of fact, in action, day-to-
6 day, in what I did. I was initially, however,
7 organized under the treasurer's department. So
8 Harrison Poole, on org charts, would have been in
9 there as my boss. But in point of fact, I worked
10 for Jim Bowling.

11 Q. How long did you contribute --
12 continue, excuse me -- reporting to Mr. Bowling?

13 A. For five years.

14 Q. Till 1981?

15 A. Yeah. And then I asked to be moved over to
16 the business side.

17 Q. What did you do in your role as
18 manager of consumer affairs?

19 A. At that time consumer affairs as a
20 discipline was just getting started, and so there
21 was a society of consumer affairs professionals and
22 there was a group of people who handled consumer
23 complaints. Companies were really just beginning to
24 have that kind of a function. So I was involved in
25 that briefly towards the end of my work for Jim.

1 But that whole discipline became more important as
2 time went on in corporate America, and that was just
3 the beginning of it.

4 Q. Discipline of responding to
5 consumer --

6 A. Responding to consumer mail, putting in 800
7 numbers, all of the sort of dialogue that has been
8 created between corporations and consumers.

9 Q. So you were at the forefront of that
10 effort at Philip Morris?

11 A. Yes.

12 Q. Did you have any input into
13 designing that program?

14 A. Very little, because I was eager to move on.
15 I -- the bulk of my responsibility had been in
16 corporate philanthropy, which was a lot of fun to do
17 and I really enjoyed it; but once you've done it,
18 there's nowhere to go with it, unless you leave and
19 go to a foundation or run a nonprofit. And I was at
20 a decision point in my career, and decided that I
21 wanted to stay with the company but move over to the
22 business side, which is what I did.

23 Q. What types of complaints would you
24 get from consumer -- strike that.

25 Did you ever personally have

1 anything to do with responding to consumer
2 complaints?

3 A. We had a series of form letters that were
4 designed to respond to consumer complaints. The
5 kinds of complaints that a cigarette company gets
6 are things like filter falls off, skewed stamps,
7 torn cellulose acetates of the filters, or stale
8 cigarettes. There are tobacco beetles in the south,
9 at times, that get into the tobacco. Things like
10 that.

11 Q. Did you ever get complaints from
12 either users or nonusers of your products
13 complaining about the fact that you're making a
14 product that at least the consumer would believe has
15 caused physical injury to either themselves or
16 someone they know?

17 A. I personally didn't get letters like that or
18 handle that. I don't know. As I say, I was sort of
19 moving out of that realm. But most of the
20 complaints that we got related to the physical
21 packaging and freshness, the attributes of the
22 product, per se.

23 Q. I don't know if you meant to qualify
24 your answer, but you just did by saying "most of the
25 complaints we got."

1 A. Well, because there were also complaints
2 about -- we often offered products with incentives,
3 for example, and sometimes the realtor would take
4 the incentive out of the packaging, so the person
5 wouldn't get their two-pack with lighter. So they
6 would complain and want to know where their lighter
7 was, if it wasn't packaged with the cigarettes.

8 Q. Ms. Reuter, you've been with Philip
9 Morris for approximately 21 years?

10 A. Right.

11 Q. Is that about right?

12 A. That's right.

13 Q. How would you characterize your
14 familiarity with how a cigarette is designed?

15 A. I'm a generalist. I'm a businesswoman with
16 a general business background and a general business
17 experience. I'm not a specialist in cigarette
18 design. I have a rudimentary knowledge of our
19 cigarette design and the basic components that go
20 into making a cigarette. I've observed the
21 manufacturing of our products in our factories, but
22 I am by no means a specialist in cigarette design or
23 cigarette manufacture.

24 Q. That's reserved for the folks down
25 in R & D, right?

1 A. Well, the folks in R & D and the folks in --
2 on the production side, the manufacturing side, who
3 actually make them.

4 Q. Well, I really meant to say --
5 you're right. That's -- the folks in Richmond.
6 How's that?

7 A. Yeah.

8 Q. Have you been to Park 500?

9 A. Yes. We used to have most of our employees
10 tour our facilities. We've always been proud of our
11 manufacturing facilities and have always liked
12 people who have worked for the company to be
13 familiar with them.

14 Q. So you've been at Park 500 on more
15 than one occasion?

16 A. Maybe once or twice. Not a lot.

17 Q. Have you been in any other
18 manufacturing facilities?

19 A. Yes.

20 Q. Where?

21 A. Louisville. Cabarrus. Bergen-op-Zoom.

22 Q. Where is Cabarrus?

23 A. Cabarrus is in North Carolina, near
24 Charlotte.

25 Q. Where is the other -- the last

1 facility you mentioned?

2 A. Bergen-op-Zoom.

3 Q. Where is that?

4 A. It's in Holland.

5 Q. Have you been to the research and
6 development facility in Richmond?

7 A. Yes.

8 Q. On more than one occasion, I assume?

9 A. Yes.

10 Q. Did you ever, during your career at
11 Philip Morris, have any reason to regularly attend
12 meetings at the R & D facility?

13 A. Yes.

14 Q. Is it fair to say, Ms. Reuter, that
15 you also have a general knowledge of the ingredients
16 that go into making a cigarette?

17 A. No, I don't have a general knowledge of all
18 of the ingredients that go into a particular
19 cigarette. I am not privy to the recipes and could
20 not tell you what they are.

21 Q. Have you ever seen a blend sheet?

22 A. I've seen the specs on cigarettes, if that's
23 what you mean by a "blend sheet."

24 Q. What do you mean by "the specs on
25 cigarettes"? How are cigarettes spec'd?

1 A. Well, there are sheets where you describe,
2 you know, what a -- what blend goes into a
3 cigarette, what kind of filter is on it, what kind
4 of paper is used on it, and what kind of tar and
5 nicotine and other aspects of the cigarette, and
6 they're listed. It's usually done for comparing one
7 particular cigarette brand to another.

8 Q. Is that considered proprietary
9 information, in your mind?

10 A. It's proprietary in the sense that I
11 wouldn't share them with a competitor.

12 Q. Right. Or you don't -- or disclose
13 it to the public. It's not something you disclose
14 as a general matter to consumers?

15 A. Right. Right. It is not tucked in with the
16 packaging.

17 Q. Right. Nor is it included in any
18 advertising?

19 A. True. Only some of it. I mean, we do put
20 tar and nicotine on our packs and in our ads.

21 Q. Right. But you don't tell the
22 consumers what blend you're using, correct?

23 A. No. It wouldn't mean anything to them.

24 Q. Why -- strike that.

25 Are you aware Philip Morris uses

1 different types of tobacco in their cigarettes?

2 A. Yes.

3 Q. And it blends different types of
4 tobacco in their cigarettes?

5 A. Yes.

6 Q. And you know that?

7 A. Yes.

8 Q. And how do you know that?

9 A. Because I've been to the leaf markets. I've
10 watched purchases being made. I've smelled the
11 different leaf --

12 Q. I hear it has quite an aroma.

13 A. Yes.

14 Q. You can smell those alkaloids, can't
15 you?

16 A. I'm not sure chemically what I'm smelling,
17 but I know --

18 Q. Okay. Some of the alkaloids.

19 A. -- the smell of the different tobaccos. And
20 I've handled the different types of leaves, and I'm
21 aware of the different dimensions and the
22 different -- the importance of stalk position and
23 other things that relate to tobacco.

24 Q. Is it fair to say that you've
25 engaged in these experiences so that you can have a

1 better familiarity with the overall product that
2 Philip Morris produces so that you're more familiar
3 with the business --

4 A. Yes.

5 Q. -- of Philip Morris?

6 A. Yes.

7 Q. Why does Philip Morris blend
8 cigarettes when it makes them? In other words, why
9 does it use a certain tobacco and mix it with
10 another tobacco to make a cigarette?

11 A. Different tobacco plants have different
12 characteristics, and we've learned over time what
13 those characteristics are. And you blend the leaves
14 together to get a certain taste in your product. An
15 old-fashioned, sort of full-flavored, nonfilter
16 cigarette is one kind of tobacco, and a Marlboro is
17 another kind of tobacco blend, and -- you know,
18 there's a whole variety, I guess is what I'm trying
19 to make [sic]. And so depending upon whether you
20 use more Oriental or more burley or whatever your
21 choices happen to be, you end up with a different
22 product. It's like, you know, if you're mixing
23 spices together.

24 Q. Exactly. Exactly.

25 A part -- part of the

2062822036

1 characteristics of the tobacco leaf is that some
2 contain higher level of alkaloids than others.
3 Isn't that true?

4 A. I believe that to be the case. I've never
5 done any research myself, nor have I been privy to
6 research on that. So I --

7 Q. And knowing that --

8 MR. HEIM: Excuse me. John, let her
9 finish her answer.

10 A. So I'm --

11 MR. SHUB: Sure. I apologize.

12 A. -- really not been someone who can comment
13 on that in a knowledgeable way.

14 Q. Has anyone at Philip Morris ever
15 told you that tobacco leaves have different levels
16 of alkaloids?

17 A. It's my understanding that there are
18 different levels of alkaloids in the different
19 leaves and in different tobacco plants.

20 Q. And --

21 A. But no one -- I can't -- I don't know if
22 anyone's actually sat there and specifically told me
23 that. You know, you absorb things over time when
24 you work at a company.

25 Q. And you've acquired that knowledge

1 while employed by Philip Morris, correct?

2 A. Um-hum. Yes.

3 Q. You mentioned that there are certain
4 specs for cigarettes, and you listed, I think, a few
5 of those specs.

6 Does Philip Morris desire a certain
7 nicotine level of their cigarettes as part of the
8 specification for that particular cigarette?

9 A. I'm not privy to the specific recipes, if
10 you will, for our cigarette brands.

11 Q. Sure.

12 A. I think there are only a few people who know
13 what those are, and I'm certainly not one of them.
14 I don't even know who actually is the keeper of
15 that. I know who was the keeper of it at 7-Up, but
16 I really don't know who is the keeper of it at
17 Philip Morris. So I don't know what those recipes
18 are for each of our different cigarettes. All I
19 know is what we put on our packs and what we include
20 in the tar and nicotine statements that we put in
21 our advertising.

22 Q. I'm going to move to strike as
23 nonresponsive. Let me ask --

24 MR. HEIM: I'll object to the motion
25 to strike.

1 Q. Let me ask the question again.

2 Without telling me, Ms. Reuter, what
3 specific ingredients go into the recipe for a
4 particular cigarette at Philip Morris, what I'm
5 asking you is, does Philip Morris, in your
6 understanding of the product development process,
7 attempt to achieve a certain level of nicotine in
8 the production of a cigarette?

9 MR. HEIM: I'm going to object to
10 the form and lack of foundation for this witness to
11 answer that question.

12 Q. You can answer.

13 A. I don't know what the recipes are, nor do I
14 know specifically what's -- sort of how this stuff
15 is put together. All I know is that we have -- we
16 do indeed commit to a certain tar and nicotine level
17 in our cigarettes, and we test them to make sure
18 that they are at that level. I know it at that end;
19 I don't know it at the creation end.

20 Q. And you know it at the marketing end
21 because --

22 A. Because we have to --

23 Q. In other words -- let me -- let me
24 just finish my answer.

25 A. Okay.

1 Q. I mean -- I'm sorry, my question.

2 MR. HEIM: You give the questions;
3 she answers.

4 Q. And you can answer.

5 A. All right.

6 Q. And you need to know that because
7 your marketing efforts or product categories are at
8 times driven by the tar and nicotine levels, right?

9 MR. HEIM: Object to form.

10 You can answer it.

11 A. We have to, by law, disclose the tar and
12 nicotine level of our cigarettes in our advertising.
13 So in my experience, what I have had to worry about,
14 quite frankly, is making sure that the TNNs in the
15 point-of-sale materials and in our ads correspond to
16 the packings that are included in that particular
17 illustration. So that's where it's been of utmost
18 importance and consciousness for me, personally.

19 Q. Have you in your 21 years at Philip
20 Morris ever been part of a discussion where the
21 specific level of nicotine was targeted -- in other
22 words, spec'd -- "We want to achieve," you know, ".2
23 grams of nicotine," where nicotine itself was the
24 focus of the product specification?

25 A. No, not specifically, not -- not to my

1 knowledge.

2 Q. Is it your understanding that Philip
3 Morris does not target specifically nicotine levels
4 in its design of a cigarette?

5 A. I don't -- I'm not involved in the design of
6 cigarettes, so I don't really know what goes into
7 those recipes. I do know that we have to maintain
8 certain tar and nicotine levels in products once
9 they're designed, so we have to keep testing this to
10 make sure we're at that level. But not having been
11 on the specific design of these blends, I really --
12 I really can't answer that.

13 Q. Okay.

14 In 1981 you moved over to the
15 business side, correct?

16 A. Right.

17 Q. What position did you assume at that
18 point?

19 A. I became the manager of planning for 7-Up
20 International.

21 Q. So you moved away from the cigarette
22 business?

23 A. At -- yes. I mean, in corporate, as a
24 matter of fact, I had not been in the cigarette
25 business. I have to correct you. In corporate, I

1 was representing the corporation, which included the
2 Miller Brewing Company; our domestic cigarette
3 business; Philip Morris Industrial, which was a
4 packaging organization that included Mill Print and
5 Wisconsin Tissue; and we also owned Mission Viejo,
6 which is a real estate land development company in
7 California and Colorado.

8 Q. Okay.

9 A. And International, which was a cigarette
10 business.

11 Q. How long were you with 7-Up?

12 A. I worked for 7-Up -- I have to think. It
13 must have been into 1984, I guess, about, when -- at
14 which time we were getting ready to sell it. I had
15 been promoted to the director of planning and
16 franchise administration. I was at that point
17 involved in -- it was a franchise business. You
18 sell independent -- you sell syrup to independent
19 bottlers in the soft-drink business.

20 At any rate, I had a choice as to
21 whether to stay with 7-Up and be sold with the
22 company to Pepsi, or to leave 7-Up and to go back
23 into Philip Morris operating company. And at that
24 point I asked to be considered for a Philip Morris
25 U.S.A. job, and moved out of international into

1 domestic cigarettes and became the manager of
2 promotions within the marketing group.

3 Q. That was in 19 --

4 A. '84.

5 Q. In 1984 you joined Philip Morris
6 domestic?

7 A. Yes, U.S.A.

8 Q. U.S.A., which is the company that
9 manufactures and markets cigarettes --

10 A. Domestic cigarettes. Right.

11 Q. -- domestically?

12 A. Right. That's right.

13 Q. What was your first position in
14 1984?

15 A. I was a manager of promotions. I maintained
16 my grade level of director, but I had a title of
17 manager. So I had been dropped down.

18 Q. Who did you report to?

19 A. I reported to a woman by the name of Kathy
20 Lieber, who was in the brand group at the time.

21 Q. How long were you in that position?

22 A. Well, I was in that position, I think it was
23 for two years. I was promoted to the director
24 level. I was -- my level was restored after a while
25 and I was given additional responsibility. I think

1 it was after two years.

2 Q. What were your responsibilities in
3 1986 as director of promotions?

4 A. I was responsible for the Virginia Slims
5 Tennis Circuit; the Merit Harbor Lights, which was a
6 Merit event promotion that used fireworks, the
7 Grucci Brothers; I was responsible for a Fashion Fun
8 Fair promotion, which was a Virginia Slims promotion
9 series at shopping malls across the country; and I
10 was responsible for the beginning of our direct mail
11 program development.

12 Q. Who was -- who at the company was
13 responsible for the development of the concept of
14 sponsoring the Virginia Slims Tennis Tournament?

15 A. Joe Coleman.

16 Q. Did you ever work with Mr. Coleman?

17 A. Yes. He was chairman of the board when I
18 joined the company, and was managing corporate
19 contributions. And any chairman has an interest in
20 corporate giving.

21 Q. Who did you report to in 1986?

22 A. 1986 -- oh. By then I was reporting to
23 Ellen Merlo.

24 Q. Ms. Merlo -- well, strike that.
25 What was Ms. Merlo's position in

1 1986?

2 A. I'm not a hundred percent sure. You'd
3 really have to check her resume. But she, I
4 believe, was the vice-president of marketing
5 promotions at the time, or marketing services,
6 maybe. I'm not sure. I'm not sure what her title
7 was.

8 Q. Did Ms. Merlo have a substantial
9 role in the Virginia Slims -- in the sponsorship of
10 the Virginia Slims Tennis --

11 A. Yes. She had started with it many years
12 earlier and had been involved with it over time, at
13 various levels at her career.

14 Q. How long were you in promotions?
15 I'm sorry. How long were you
16 director of promotions?

17 A. I think it was two years.

18 Well, I finished up that year. It
19 must have been, as director, probably a year. And
20 then I was moved into sales.

21 Q. In about 1987?

22 A. Yeah.

23 Q. What was your position in sales,
24 your first position?

25 A. My first position was as assistant to the

1 vice-president of sales, who was Vinnie Buccelatto.

2 Q. What was your responsibility as
3 assistant to the vice-president?

4 A. Well, I was there to do anything Vinnie
5 wanted done, but my main -- my main activities under
6 Vinnie were really three. First of all, I had to
7 put on a sales meeting for a thousand people in
8 Hawaii. I had to redeploy the sales organization.
9 When you redeploy the sales organization, you change
10 their territories and their areas of responsibility
11 geographically and you carve up the country in
12 different pieces. It was a major effort, and
13 it's -- anyway, it's sort of a logistical nightmare.
14 And I had to do that. And then we also at that time
15 were doing a lot of on-carton couponing and the
16 like, and so we needed to add part-timers. So
17 another major responsibility was to add part-time
18 merchandisers. We added a thousand people to the
19 sales organization. That was another --

20 Q. How long were you in the position as
21 assistant to the vice-president?

22 A. I was assistant to Vinnie a year and a half
23 or two years, something like that.

24 Q. Till about 1989?

25 A. And then --

2062822046

1 Q. Is that correct?

2 A. Yes, I think it was '89. '89 or '90. And
3 then I was moved out of sales into planning and was
4 given the position of director of planning for the
5 domestic cigarette business.

6 Q. What did that position involve?

7 A. In that position, you're responsible for the
8 five-year plan. You're responsible for any
9 presentations and speeches that the president of the
10 company gives.

11 Q. Are you responsible for drafting the
12 five-year plan?

13 A. Yes.

14 Q. What sources did you use -- strike
15 that.

16 Did you ever draft a five-year plan?

17 A. Yes. Yes.

18 Q. How many times did you draft a
19 five-year plan?

20 A. Well, I had done five-year plans when I was
21 in 7-Up, too, you see. So, there, I was also
22 responsible for doing our five-year plans. And so I
23 had done -- so the years I was in planning, I worked
24 in drafting the 7-Up plan; and now that I was in
25 U.S.A., I was also drafting five-year plans but now

1 for the domestic cigarette business. So for the
2 years I was there -- and it was -- to think back, it
3 was almost two years.

4 Q. That you drafted a five-year plan?

5 A. Well, there were two -- there were two
6 plans. I drafted two five-year plans.

7 Q. Around 1989 and '90?

8 A. Yes.

9 Q. How did you go about in drafting
10 such a plan?

11 A. You draft a plan by collecting information
12 from a variety of sources, including your
13 president, the vice-presidential heads of the
14 functions. The finance people have a big role in it
15 because the finance people are responsible for the
16 numbers that go into the five-year plan. And then
17 you also work with the various heads of planning in
18 different functional areas. There's always been a
19 planning group, for example, in Richmond that dealt
20 with operations planning. And there's always
21 somebody in R & D who does R & D planning. So your
22 role is to pull all of this together and consolidate
23 it into a company-wide planning document.

24 Q. In order to draft a five-year plan,
25 is it fair to say, Ms. Reuter, that you -- one would

1 need to have a working knowledge of the various
2 aspects of Philip Morris's business?

3 A. Yes.

4 MR. HEIM: Object to form.

5 Q. Including the operations side of the
6 business?

7 A. Yes.

8 Q. Including the research and
9 development side of the business?

10 A. To some extent, although R & D has always
11 done their own plan, so that the portion of the
12 R & D plan that would feed into the company's
13 five-year plan was summarized. In other words, you
14 would only include in the five-year plan a very
15 brief summary of what was in R & D's more detailed
16 plans.

17 Q. When you were drafting the five-year
18 plan, who was drafting the R & D plan?

19 A. Cliff Lily would have been involved in that
20 at the time. Ken Houten was the head of R & D and
21 was also involved. They tended, though, to
22 circulate. They had different people involved.

23 MR. SHUB: Let's take a break.

24 VIDEO OPERATOR: Off the record at
25 12:19.

1 (Brief recess taken.)

2 MR. SHUB: Would you read back the
3 last question and answer, before we go back on the
4 video.

5 (Last question and answer read back by the
6 reporter.)

7 VIDEO OPERATOR: Going back on the
8 record at 12:22.

9 BY MR. SHUB:

10 Q. Ms. Reuter, I think the phone rang
11 while you were in the middle of an answer; and I'll
12 give you the opportunity, of course, to complete
13 your answer.

14 A. Thank you.

15 R & D tended to pass the five-year
16 plan assignment among different people within the
17 department, so Kathy Ellis was involved in it one
18 year, and others as well. In other words, it would
19 pass around -- Dick Cox might have been, too, at one
20 point. So I just wanted to make that clear; it was
21 not always the same person.

22 Q. And you would take the R & D
23 five-year plan -- well, strike that.

24 Was the R & D a five-year plan as
25 well?

1 A. I'm not sure, quite frankly. I don't
2 remember whether it was a five-year plan or a
3 three-year plan. The company has gone through this
4 at different times where feelings are that five-year
5 plans are not particularly useful were because they
6 go too far into the future. So, at times, parts of
7 the plans have been three-year in duration rather
8 than five-year. But I don't really remember which
9 way R & D did it.

10 Q. So you would take their plan and
11 mold it into the overall corporate plan?

12 A. Yes.

13 Q. And to do that, you would need to
14 understand the R & D plan, right?

15 A. You need a basic understanding directionally
16 of what their overall objectives were and some of
17 their strategies, but you wouldn't need to know a
18 lot of detail about what they were planning.

19 Q. But you would have to have at least
20 a general understanding of the types of activities
21 that they were engaged in?

22 A. The general initiatives in terms of sort of
23 categories of work. So directionally you'd have an
24 idea of what they might be doing, but as I say, you
25 would not get into the tactics and the specific

1 studies that were underway.

2 Q. When you were drafting the five-year
3 plan, what general activities were being initiated
4 at the R & D, as far as you can remember?

5 A. I don't remember the specifics of what were
6 in the R & D plans at that time. In other words, I
7 couldn't tell you five or six things that were top
8 of mind there. There was one area that the R & D
9 folks were working on, that I was also interested
10 in, and that is known as Beta or Table.

11 MS. BRACHTL: I'm sorry, what was
12 the last --

13 MR. SHUB: "Beta or Table."

14 THE WITNESS: "Beta or Table."

15 Q. And what was that being worked on at
16 the time that you were drafting five-year plans in
17 the '89-90 time frame?

18 A. Yes, and even before that. It didn't just
19 start then.

20 Q. You referred to it as "Project Beta"
21 or "Project Table"?

22 A. Yeah.

23 Q. Why do you use two different names?

24 A. Because when I first heard about it, it was
25 called "Beta," and then when a committee was formed

1 to pursue it from the business side, we called
2 ourselves "Table."

3 Q. We're up to the '89-90 time period,
4 I think. Did your position change after that time
5 frame?

6 A. Yes.

7 Q. When did it change?

8 A. It -- it changed -- when did it change? In
9 '89, I moved to planning. I was in planning '89-90,
10 probably into '91. I then was asked by Mark
11 Serrano, the executive vice-president in charge of
12 operations, to come work for him as his director of
13 planning and administration. So I left business
14 planning and moved over to operations.

15 Q. Let me just step back for a moment,
16 back to business planning.

17 Other than the five-year plans that
18 you were drafting, what else were you doing as the
19 director of planning?

20 A. Well, you do the five-year plan. You do
21 presentations based on the five-year plan, that you
22 give and that more senior management uses, with the
23 board of directors, for example. You also are
24 responsible for weekly highlights that summarize
25 what's happening in different functional areas in

1 the business. You pull those together. You also
2 write speeches and presentations for the president
3 to give at analysts' meetings or other sort of
4 corporate meetings. You really end up being the
5 staff support for the office of the president.

6 Q. Such a position requires you to have
7 a detailed knowledge of how -- strike that.

8 Does that position, in your mind,
9 require you to have a detailed knowledge of the
10 operations of Philip Morris?

11 A. It doesn't require a detailed knowledge. It
12 requires a general knowledge of the business and a
13 general understanding of how the president thinks
14 and likes to communicate. And it also requires a
15 good understanding of how to portray your business
16 trends and how to articulate clearly what the
17 objectives and strategies of the corporation are at
18 that point in time.

19 Q. But --

20 A. Now, you can draw on speech writers and you
21 can draw on graphics -- graphic artists to help you
22 do this. But ultimately you have to pull all this
23 stuff together.

24 Q. Who was the president at that time?

25 A. The president when I first moved into

1 planning was a man by the name of Ehud Houminer.
2 While I was in planning, Ehud was dismissed from the
3 company, and Bill Campbell replaced him. So I
4 worked under both presidents.

5 MR. SHUB: I think this might be a
6 good time to break for lunch.

7 Off the record.

8 VIDEO OPERATOR: Off the record at
9 12:31.

10 (Lunch recess taken.)

11 MR. SHUB: Before we go back on,
12 could I have the last question and answer, please.
13 (Last question and answer read back by the
14 reporter.)

15 VIDEO OPERATOR: Going back on the
16 record at 1:43. This is Tape No. 2.

17 BY MR. SHUB:

18 Q. Good afternoon, Ms. Reuter.

19 A. Good afternoon.

20 Q. In 1991 you moved over to the
21 operations side?

22 A. Yes.

23 Q. Okay. And what were you doing on
24 the operations side?

25 A. Well, I was operations planning and

1 administration for Mark Serrano. Mark Serrano was
2 the executive vice-president in charge of
3 operations, and at that time he oversaw all the
4 manufacturing, as well as research and development.
5 He was headquartered in New York but obviously spent
6 a lot of time in Richmond. And I was his -- really,
7 his key staff person in the New York office. The
8 only other staff person he had in New York was a
9 packaging director. But I was basically his chief
10 of staff in terms of what he needed done and was a
11 right hand to him.

12 Q. What was his connection to the
13 R & D?

14 A. Ken Houten reported to him.

15 Q. Could you be more specific in terms
16 of what your responsibilities were during that time
17 frame?

18 A. Well, in that role you're responsible for
19 supporting the head of operations, which means that
20 it was my responsibility to make sure that monthly
21 meetings that were held in -- generally in Richmond,
22 with senior management, or organized -- I worked on
23 the agendas. I talked to the people who would be
24 presenting and really made the link between New York
25 and Richmond happen, and viable. Whenever Mark had

1 to make presentations, his weekly reports'
2 highlights, piece of highlights that came through
3 operations came through me. The operations plan,
4 while there were people in Richmond responsible for
5 the operations five-year plan, there were also
6 people in the R & D responsible for the R & D plan.
7 When it came to pulling these pieces together, it
8 would again -- I would get involved in that as well.
9 So I was still involved in planning, but now
10 strictly from an operations point of view, not in
11 terms of the entire business. I --

12 Q. Did your -- did your -- I'm sorry.
13 Go ahead.

14 A. And a big part of the planning that was
15 happening at that time, from an operations point of
16 view, had to do with the sourcing of your production
17 and also the efficiency of our production. So a lot
18 of the work that was going on had to do with
19 producing cigarettes faster and more efficiently
20 and, hence, saving money, having -- getting greater
21 productivity out of our manufacturing operations.

22 Q. When you say "producing cigarettes
23 more efficiently," what do you mean by that?

24 A. Well, as you know, we make a variety of
25 brands of cigarettes, and we also make different

1 size -- size rods, different package types, and
2 these all are made on different equipment and at
3 times are better made on different -- in different
4 locations. You also want to have the longest run
5 possible of a given type because you have to make
6 changeovers. When you're changing over a machine,
7 you have down time. When you have down time, you're
8 not productive. So one of the most important things
9 on the manufacturing side is to have production
10 planning that gives you the most efficient and
11 effective use of your manufacturing equipment. And
12 at that time we were concerned about cost savings,
13 in particular, and looking to operations to come
14 through with some of those savings. So we had a lot
15 of meetings and a lot of activity going on as it
16 related to our production.

17 Q. In your role in operations, would
18 you consider your position to be one of a support
19 staff or one of a managerial staff?

20 A. I was really a support -- support staff to
21 Mark. I was not managing a department or managing
22 functions myself at that time. I was there to help
23 him manage a pretty huge operation and to make it
24 easier for him to do that.

25 Q. Did the fact that you had experience

1 in the planning side assist you in the operations
2 side?

3 A. Yes.

4 Q. Is that because you had a brought
5 base of understanding of what Philip Morris did, in
6 terms of Philip Morris U.S.A.?

7 A. Yes.

8 Q. Were you -- strike that.
9 Would you consider the position
10 change from planning to the operations to be a
11 promotion?

12 A. It was a one-grade-level promotion.

13 Q. Have you consistently been promoted
14 during your 21 years at Philip Morris?

15 A. No.

16 Q. Have you been demoted?

17 A. I was demoted in terms of title when I moved
18 from international to U.S.A.

19 Q. What about in terms of
20 responsibility?

21 A. That's a hard question to answer, because
22 I -- I've not ever been demoted in terms of grade
23 level, and grade levels are presumably based on
24 levels of responsibility. However, different --
25 different positions I've held, I believe, have had

1 different levels of responsibility.

2 Q. Have you ever been demoted, in your
3 mind, because of poor performance?

4 A. No.

5 Q. You've been at the company 21 years,
6 correct?

7 A. Correct.

8 Q. Would you consider yourself to be a
9 valuable member of management at Philip Morris?

10 MR. HEIM: Objection. That
11 question --

12 A. Yes.

13 MR. HEIM: Excuse me.

14 -- kind of mischaracterizes what she
15 said her position was, but --

16 Q. Well, we talked earlier that, Ms.
17 Reuter, you would agree that you're a manager of
18 Philip Morris today, correct?

19 A. Correct.

20 Q. And when -- let's try it this way.
21 When did you -- when, in your mind,
22 did you become a manager at Philip Morris? What
23 year?

24 A. I joined the company as a manager.

25 Q. And so therefore, you've been

1 functioning in managerial positions throughout your
2 21-year tenure?

3 A. Yes.

4 Q. Do you consider yourself a valuable
5 member of management?

6 A. Yes.

7 Q. With a broad base of experience at
8 Philip Morris, correct?

9 A. Yes. I have a broad experience base in many
10 different functional areas. I'm a generalist, not a
11 specialist.

12 Q. Is there an area of Philip Morris
13 U.S.A. that you particularly feel you don't have any
14 knowledge in?

15 A. The area where I've had no -- where there
16 are a couple of areas, actually, where I've had no
17 active role, and that's finance; legal. Otherwise,
18 I've touched most of the functional areas in the
19 company one way or another.

20 Q. How long did you serve in that
21 capacity to Mr. Serrano, in operations?

22 A. I believe I was with Mark -- I think it was
23 a little over a year.

24 Q. Does that bring us to about 1992?

25 A. Yeah, about that.

1 Q. What did you do in 1992?

2 A. Well, Mark was terminated and not replaced.
3 I reported directly to Bill Campbell.

4 Q. At that point?

5 A. At that point, when Mark left the company,
6 and continued to function as a link between New York
7 and Richmond, under -- under Campbell, and took on
8 special assignments that he wanted done.

9 Q. And during what period was this?
10 1992 to when?

11 A. Well, it must have been 1992 to '93, about a
12 year under Campbell. He did -- it was about a year
13 under Campbell.

14 Q. You mentioned that there were
15 meetings in Richmond. Were those known as the
16 "Richmond meetings"?

17 You said you helped Mark prepare for
18 meetings --

19 A. Yes.

20 Q. -- with --

21 A. They were Richmond meetings. There were two
22 different kinds of Richmond meetings. There were
23 regular meetings where the president would come to
24 Richmond and get an update on how things were going
25 on the manufacturing side, primarily; and then there

1 were meetings from time to time where more senior
2 management, like the chairman and other corporate
3 types, would come to Richmond for updates.

4 Q. Did you ever attend any of those
5 meetings in Richmond of either type?

6 A. Yes.

7 Q. You attended both types?

8 A. Yes.

9 Q. When -- during what period would you
10 say was the first time that you attended a Richmond
11 meeting, of either type?

12 A. When I started working for Mark.

13 Q. 1991?

14 And you attended those -- strike
15 that.

16 Did you continue to -- strike that.

17 When -- are you continuing to
18 attend --

19 A. No.

20 Q. -- meetings in Richmond today?

21 A. No.

22 Q. When did you cease attending
23 meetings in Richmond?

24 A. I ceased attending meetings in Richmond when
25 I stopped working for Bill Campbell.

1 Q. Which was in what year? In 1993?

2 A. '93, because I then went into trade
3 marketing.

4 Q. Okay.

5 A. Which is part of sales.

6 Q. Would you say you attended more
7 frequently the regular meetings or the senior
8 management meetings at Richmond?

9 A. The regular meetings happened more
10 regularly, so I attended more regular meetings than
11 not.

12 Q. Were you a frequent attendee of the
13 regular meetings?

14 A. Yes.

15 Q. Were you a regular attendee of the
16 regular meetings?

17 A. Yes. Yes. Because it was my job to make
18 sure that the agenda was organized, that the people
19 who were coming to present new -- when they were to
20 be there, what they were presenting, and how the
21 whole thing was flowing. That was my job.

22 Q. At the regular meetings, there were
23 R & D presentations, were there not?

24 A. Yes, occasionally there were R & D
25 presentations.

2062822064

1 Q. And you attended those as well?

2 A. Yes.

3 Q. Would you say you learned -- strike
4 that.

5 Part of your knowledge base built at
6 Philip Morris came from attending R & D meetings
7 during -- in Richmond?

8 A. Yes.

9 MR. SHUB: Let's take a break.

10 VIDEO OPERATOR: Off the record at
11 1:58.

12 (Brief recess taken.)

13 MR. SHUB: Before we go back on,
14 could we get the last question and answer.
15 (Last question and answer read back by the
16 reporter.)

17 VIDEO OPERATOR: Back on the record
18 at 2:01.

19 BY MR. SHUB:

20 Q. You mentioned, I think, that you
21 took on special assignments during this period that
22 Mr. Campbell wanted done, correct?

23 A. Correct.

24 Q. What were the special assignments
25 that you took on?

1 A. The major assignment that he asked me to do
2 was to do a study of our manufacturing facilities to
3 determine which of our better plants we had the
4 lowest cost production at. So I teamed up with a
5 manufacturing specialist and a finance specialist,
6 and the three of us took on this assignment to do a
7 study of our Bergen-op-Zoom plant in Holland and our
8 Cabarrus manufacturing facility in North Carolina.
9 So we did that. We spent a number of weeks focusing
10 on the North Carolina plant, and the same in the
11 Dutch plant, spent time in Holland, and coming up
12 with what our best plant is. I mean, a big part of
13 cigarette manufacturing is low-cost production.
14 There's some high-speed, fairly sophisticated
15 manufacturing practices, and we were looking to see
16 really what our flagship was and learn from that.

17 Q. Who was the manufacturing specialist
18 that you teamed up with?

19 A. Steve Walton was from the manufacturing
20 side.

21 Q. What other projects did you take on
22 that Mr. Campbell wanted done during that period?

23 A. Well, that was the main one during that
24 time. The -- the other activities had to do with
25 being the ongoing link between Richmond and New

1 York, organizing meetings, supporting any sort of
2 planning and reporting needs that he needed that
3 related to operations.

4 As time went on, the two people that
5 really took on Mark's responsibilities began
6 reporting more and more directly to Bill, and there
7 was no longer any need for my position.

8 Q. Who --

9 A. So that's when my position was phased out
10 and I was moved to trade marketing.

11 Q. Who were the two people that took on
12 Mark responsibilities?

13 A. Steve Darrah and Ken Houten.

14 Q. Houten took it on from the R & D
15 perspective?

16 A. Yes.

17 Q. Darrah from the operations?

18 A. Right. Manufacturing.

19 Q. Manufacturing?

20 A. That's right.

21 Q. In 1993 you moved on to trade
22 marketing?

23 A. Right.

24 Q. And you've been in trade marketing
25 ever since?

1 A. No.

2 Q. Okay.

3 A. Happily.

4 Q. How long did trade marketing last?

5 A. I was in trade marketing a little over a
6 year, and left trade marketing to move into
7 marketing, brand marketing, which is where we
8 started this morning.

9 Q. Sure. And what -- who did you
10 report to in trade marketing?

11 A. Gary -- well, when I first went there, I
12 reported to Craig Johnson for six weeks. He then
13 was promoted to another position and Gary Eastburn
14 took his job. So most of the time I reported to
15 Gary Eastburn.

16 Q. What were your responsibilities in
17 trade marketing?

18 A. The biggest responsibility in trade
19 marketing was to introduce sales force automation to
20 the sales organization. This was to computerize
21 their tracking of all of our promotion and
22 merchandising activities at retail. Up to this
23 time, they used a -- they had sheets they used to
24 fill out, little bubbles like you fill in on a test,
25 to record their activity in the field. And what was

1 my job to go in and to see through the testing of a
2 computer, of hand-held -- actually, they use -- they
3 use little laptops; the hand-helds, we never
4 actually went to market with -- but to give them a
5 computer that, whereby they could now electronically
6 record the activity in a given call and transmit
7 that into headquarters. It's called SFA, sales
8 force automation.

9 Q. And you left that area of
10 responsibility in 1994 and came into marketing?

11 A. Yeah.

12 Q. Who did you come -- who did you
13 report to when you first -- strike that. Actually,
14 I think we covered the '94 --

15 A. We covered that this morning.

16 Q. -- to '97 time frame.

17 A. We covered that this morning.

18 Q. Okay.

19 Ms. Reuter, did you prepare for your
20 deposition today?

21 A. Yes.

22 Q. And when did you do that?

23 A. Yesterday.

24 Q. Was that the only time you prepared?

25 A. Yes.

1 Q. And you met with counsel yesterday?
2 A. Yes.
3 Q. Did you meet with Mr. Heim?
4 A. Yes.
5 Q. Did you meet with anybody else?
6 A. There were other folks in the room.
7 Q. Other lawyers?
8 A. Yes.
9 Q. Do you know their names?
10 A. I'd have to look it up. I didn't memorize
11 their names.
12 Q. How many other lawyers were in the
13 room?
14 A. Two or three.
15 Q. How long did you meet with these
16 lawyers?
17 A. I don't know. Four hours, something like
18 that.
19 Q. Did you review any documents?
20 A. Yes.
21 Q. How many?
22 MR. HEIM: You can answer that
23 question.
24 A. Three.
25 Q. Have you been deposed before?

2062822070

1 A. No.

2 Q. Are you aware of any other cases in
3 which your deposition testimony is being asked or
4 requested?

5 A. Not at this time. Just --

6 Q. What we're doing here today?

7 A. Yes. Right.

8 Q. Have you been contacted by any
9 federal officials related to your work at Philip
10 Morris?

11 A. Yes.

12 Q. And when were you contacted by
13 federal officials?

14 A. Oh, when was it? Last year.

15 MR. HEIM: I gather we're reserving
16 relevance objections and things of that sort?

17 MR. SHUB: Sure.

18 MR. HEIM: And there may be other
19 objections that I'm going to interpose here, because
20 I don't think it's a proper subject of examination,
21 but I'll let you go.

22 MR. SHUB: Okay.

23 Q. You know Dr. Levy. Is that correct?

24 A. Yes.

25 Q. You've worked with Dr. Levy?

1 A. Some. Not a lot, but some.

2 Q. And when did you have occasion to
3 work with Dr. Levy?

4 A. Well, there were basically two primary --
5 one when she replaced me as director of planning, I
6 had to brief her on the staff and give her an idea
7 of what kind of a job she had just walked into, and
8 where the files were and --

9 Q. Sure.

10 A. -- the like. That, and then the other was
11 in terms of our work together on Table.

12 Q. What was Project Table?

13 A. Project Table was when it was felt that the
14 Beta prototype was further enough along -- far
15 enough along to consider what it would take to
16 develop a plan to commercialize it. So Table was
17 formed with representatives from various functional
18 areas to begin to develop a plan as to whether or
19 not and how one would, if one decided to, turn this
20 into a piece of business.

21 MR. SHUB: Can you read back her
22 answer, please. Thank you.

23 (Last answer read back by the reporter.)

24 Q. When you say "this," I assume you're
25 referring to the Beta prototype. Is that correct?

1 A. Yes.

2 Q. Okay. What is the Beta prototype?

3 A. The Beta prototype was a new cigarette
4 design that heated, rather than burned, tobacco.
5 Reynolds had introduced Premier into the
6 marketplace, and which, of course, we were watching
7 carefully, and Beta was a similar kind of
8 development that was coming along within Philip
9 Morris. And so Table was put together to see what
10 it would take and whether or not we felt it was time
11 to consider commercializing our own sort of
12 nonburning cigarette.

13 Q. Nonconventional cigarette?

14 A. To my mind, it's somewhat nonconventional
15 because it heats tobacco rather than burns it. But
16 they're both tobacco-based products.

17 Q. And the idea behind heating rather
18 than burning is to avoid the combustion and --
19 strike that. Let me start over. -- to avoid the
20 combustion that's involved in the burning of
21 cigarettes?

22 A. Well, cigarettes have a lot of negative
23 connotations, and the burning of a cigarette does
24 cause fires from time to time. So it's always been
25 a sensitivity of anybody who's worked in the

1 business that combustion is something that -- it's
2 an innate part of a conventional cigarette, but it's
3 something that is a negative at times if the product
4 is not used properly. So the burning is -- is an
5 issue.

6 Q. Okay. It -- go ahead. Go ahead.

7 A. It emits smoke; another issue. It creates
8 ash; another issue. That all relates to the
9 combustion.

10 Q. Okay. Are those the negative
11 connotations that -- you said that smoking or
12 cigarettes sometimes have negative connotations.
13 Are all the connotations that you meant to explain
14 to me? Because I want to make sure I get them all.
15 So far I have fires -- that it might
16 avoid fires, it emits smoke, and it creates ash.

17 A. Right.

18 Q. Are there any others?

19 A. You also have an odor. The odor from the
20 smoke is offensive to people at times who notice it
21 both in the air and also in their clothing and in
22 their upholstery. So those are -- that's another
23 characteristic that we were concerned about.

24 Q. Okay. So that's four. Sitting here
25 today, can you think of any others? That this Beta

1 prototype was meant to address. Is that fair?

2 A. The Beta prototype was meant to address all
3 of those. There is also discussion in the industry
4 about biological activity. The Premier prototype
5 was touted as something that had lower biological
6 activity, and we were interested in that as well,
7 not knowing whether one could successfully do that
8 or not, or do all these other things, as a matter of
9 fact. But if you were to fantasize about creating a
10 product that would answer a whole stream of
11 criticisms of your product, that was really what we
12 were interested in brainstorming about and trying to
13 address.

14 Q. "Biological activity," when you use
15 that term, does that mean cancer-causing?

16 A. "Biological activity," as I understand it --
17 and remember, I'm not a scientist.

18 Q. I'm well aware of that.

19 A. I'm not a scientist and I'm not a specialist
20 in this. But in the industry, it's a phrase that's
21 used and it refers to the impact on living tissues.

22 Q. Okay. And "lower biological
23 activity" means less impact on living tissues --

24 A. Correct.

25 Q. -- correct?

1 And since you're really in the
2 business, I assume, of selling cigarettes to humans
3 and not tissues, it's fair to say that "lower
4 biological activity" means less harmful to human
5 health. Is that fair?

6 MR. HEIM: Objection to form.

7 A. Yeah, I don't know that I would say it that
8 way. In fact, I wouldn't.

9 To my mind, if we can come up with a
10 product that we feel is better than what we're
11 currently making, we would have a real breakthrough
12 from a marketing and a product development point of
13 view.

14 Q. And part of your definition of
15 "better" would be one that has lower biological
16 activity?

17 A. That was one of the points that had been put
18 down -- that was listed as something that was worth
19 going for.

20 Q. And "lower biological activity,"
21 Ms. Reuter, ultimately means, does it not, less
22 harmful to humans?

23 A. I'm not totally sure of that. The
24 implication is there; but, again, I'm not a
25 scientist.

2062822076

1 Q. Sure.

2 A. I don't do the testing. I do not know
3 enough about the chemistry or the biology --

4 Q. Okay.

5 A. -- of cigarette smoking. You need to talk
6 to a specialist to get at the matter.

7 Q. But -- let's try it this way. But
8 Barbara Reuter, a 21-year veteran of Philip Morris,
9 a manager at Philip Morris, believes that when she
10 hears the term "lower biological activity," it
11 ultimately means trying to produce a cigarette less
12 harmful to human health. Is that a fair statement?

13 MR. HEIM: Objection. Asked and
14 answered and argumentative.

15 Q. Is that a fair statement?

16 A. What I was looking for as part of that group
17 was for us to come together and come up with a
18 better cigarette. And you can -- and a better
19 cigarette, to me, is one that addresses the
20 consumer's concerns, and we have a whole litany of
21 concerns -- which we've already sort of talked about
22 some of those -- that the industry is well aware of,
23 the public is well aware of, as well as both smokers
24 and nonsmokers, as a matter of fact. And we as a
25 company are well aware of that and would really --

1 would really love to be able to produce a product
2 that is as pleasurable and satisfying as our
3 conventional cigarettes are, but does not have the
4 kind of negative attributes that people don't want.

5 Q. Let's move to strike that as
6 nonresponsive, and I'll ask the court reporter to
7 please repeat my question.

8 MR. HEIM: Well, I'll object to --

9 MR. SHUB: Because we're going to
10 move away from -- wait, wait. Let me finish.

11 We're going to move away from this
12 area, but not until we get an answer to the
13 question. Not an answer to the question that
14 you want to answer; an answer to the question I'm
15 asking.

16 MR. HEIM: Well, you -- wait a
17 minute. Wait a minute. Time out. It's not just
18 you that gets to talk.

19 She answered the question twice now,
20 and she's not going to keep answering the same
21 question over again. I think she's answered the
22 question as best as she's able to ask [sic] it, and
23 the fact that you don't get the answer you want
24 isn't a ground to keep answering -- asking the
25 question.

1 MR. SHUB: Okay. That -- I agree
2 that certainly is not a ground. And it is a ground,
3 though, when you ask a question and you don't get an
4 answer that's in any way responsive to the question.

5 I think my question was very, very
6 clear. Let's hear it again, and maybe we can decide
7 what's not clear about it and I'll try to clarify it
8 for you.

9 MR. HEIM: Well, let's hear the
10 question again.

11 (Last question read back by the reporter.)

12 MR. HEIM: Okay. I'm going to
13 object to lack of foundation on that as well, but go
14 ahead. Barbara, do you want to try answering that
15 again? Although I believe she has already answered
16 it. But go ahead.

17 Q. Are you able to answer that yes or
18 no? Or you can't pass -- that's -- let me ask that
19 next question.

20 In response to that question you
21 heard the court reporter answer [sic], are you
22 capable, Ms. Reuter, of answering yes or no?

23 MR. HEIM: And I'm going to object
24 to that question as well. But go ahead, you can
25 answer that. Can you answer it yes or no without

1 explaining your answer?

2 MR. SHUB: No, no, no. That's not
3 my question.

4 Q. My question is, can you answer it
5 yes or no? And then if you'd like provide an
6 explanation, but can we start the answer off with a
7 yes or no?

8 A. Now repeat the question again, please.

9 MR. SHUB: Sure.

10 THE REPORTER: The one I just read,
11 right?

12 MR. SHUB: Right.

13 (Last question read back by the reporter.)

14 Q. And don't forget the pending
15 question is, are you able to answer that question
16 yes or no, followed by any explanation you care to
17 provide.

18 A. Yes, in the sense that we would love to be
19 able to produce a better cigarette; and our whole
20 thrust in developing Beta was to attempt to do that,
21 not knowing, though, whether or not it is possible
22 to do such a thing.

23 Q. Is it fair to characterize that last
24 answer, Ms. Reuter, as yes with an explanation?

25 A. I don't know whether it's fair or unfair.

1 Q. I'm trying to understand whether or
2 not --

3 MR. HEIM: I thought she answered
4 the question.

5 MR. SEUB: Well, but she said yes in
6 the context of producing a better product.

7 Q. Does "yes" in the context of
8 producing a better product mean yes, one that is
9 less harmful to human health?

10 A. We are searching to produce better products.
11 If we can in fact make a product that answers most
12 or all of the negative criticism leveled against our
13 product and still delivers the pleasurable aspect of
14 our product, you know, we -- we have an absolute
15 winner. And R & D at our company and all the other
16 companies has been struggling over the years to do
17 that. It's a very complex, difficult assignment,
18 and to my knowledge, to date, it has not been done.
19 And maybe it cannot be done. I don't know. And
20 there are experts closer to all of this, far closer
21 and far more involved, who understand the chemistry
22 and the biology, who you should talk to if you
23 really need to get into that. I'm not it. I can't
24 help.

25 Q. No, you're doing actually a very

1 good job of helping me. But let me ask you this:
2 When you talk about producing a cigarette that has
3 lower biological activity, do you mean to say that
4 Philip Morris was interested in producing a
5 cigarette that was perceived to be not as hazardous
6 to one's health as the cigarettes that they
7 currently produce?

8 A. We know conventional cigarettes have been
9 criticized in many different circles for being
10 hazardous.

11 Q. To human health?

12 A. To humans, from a number of different
13 perspectives.

14 Q. Is one perspective cancer-causing?

15 MR. HEIM: I think you were
16 interrupting her answer.

17 Q. I thought you were --

18 A. From a number of different perspectives.

19 Q. Okay.

20 A. We've talked about fire. You've talked
21 about cancer. Other people talk about heart
22 disease. There are a number of things. There are
23 other -- I mean, people talk about other illnesses
24 that relate to the whole cardiovascular system. And
25 smoking has been implicated in a lot of things, and

1 that's in the press, the Surgeon General -- there
2 are all sorts of sources for that. That, to me, is
3 out there and exists. I have my own points of view
4 on this, as do both smokers and nonsmokers. And the
5 jury is still out in terms of what cigarettes do and
6 what they don't do.

7 Q. Are you -- strike that.

8 Have you ever been in a meeting at
9 Philip Morris where the issue of the health concerns
10 of smoking have been addressed?

11 A. No.

12 Q. Are you aware of any documents at
13 Philip Morris that discuss the health effects of
14 smoking?

15 A. Not in terms you're talking about, no.
16 There is a document that I put together where I
17 pulled together all the information I could glean
18 that talks about why people smoke and how it works
19 on the human system.

20 Q. Are you aware of any internal
21 studies -- I'm sorry, I don't want to -- Ms. Reuter,
22 I do apologize if I'm cutting you off. Because
23 sometimes you pause and I think you're done, but
24 you're not. I don't want to cut you off. So if
25 you're not done, please continue.

1 A. But I have not been in meetings where
2 people, you know, sat around the table and talked
3 about sort of the specific health impact of
4 cigarette smoking. It's not been part of my
5 experience.

6 Q. Are you -- strike that.

7 Have you been in any meetings where
8 it was brought up that Philip Morris was internally
9 studying any associated health effect of smoking?

10 A. No.

11 Q. So when you talked about that
12 smoking has been implicated in a lot of things, you
13 mean implicated by folks outside of Philip Morris,
14 not Philip Morris itself?

15 A. Correct.

16 Q. As far as you know, Philip Morris
17 doesn't study health effects of smoking, correct?

18 A. Correct. We -- what I know about past
19 research that was done at the company is what I've
20 read in the public press.

21 Q. When you see articles about Philip
22 Morris in the public press, do you make sure you
23 read them?

24 A. Yes.

25 Q. Have you -- strike that.

2062822084

1 Can I get the last question? I
2 don't need the answer.

3 MR. BEIM: You asked whether she
4 makes sure she reads them.

5 MR. SHUB: You're right. The
6 question before that. Excuse me, Bob.

7 (Requested question read back by the reporter.)

8 MR. SHUB: Okay.

9 Q. You are a member of the Project
10 Table team?

11 A. Yes.

12 Q. Is that fair?

13 How did you come to be involved in
14 Project Table?

15 A. Well, when I was in planning, I learned
16 about the Beta project and was fascinated by the
17 article that was being developed and the work that
18 was being done. And so I sort of -- I learned about
19 it through that exposure, and then I was working for
20 Serrano when we were beginning to think in terms of
21 commercializing it. And as a general business
22 person with a general business background, and given
23 the fact that the Beta was moving sort of out of the
24 lab where it was simply a developmental thing, but
25 we were beginning to think in terms of what it would

1 take to commercialize it, it was a natural for me,
2 having -- working with Mark, knowing about the --
3 knowing about it, to then move and be part of that
4 Table team. Because I was there and interested, and
5 also a general business person, which is really what
6 you need when you're starting to think, "Well, what
7 do we do next with this product?"

8 The other thing, I had worked with
9 Cliff Lily at that point to put together a board
10 presentation on Beta. I was in planning, but, as
11 you know, when you're in planning, you spend time
12 putting together presentations for the president.
13 So you're used to putting together presentations
14 that go up the line; and, hence, I was a logical
15 person to help translate what the scientists were
16 developing into simple English to present to the
17 board.

18 Q. Yes. You took the question out of
19 my mouth, but I'll ask it anyhow, since I'm a lawyer
20 and we ask a lot of silly questions.

21 Is part -- was part of your job in
22 making board presentations -- let me rephrase that.

23 Was one of your skills in making
24 board presentations at Philip Morris was the ability
25 to take what the scientists were saying and make it

1 into plain English --

2 A. Yes.

3 Q. -- so that the board of directors

4 can understand it?

5 A. Yes.

6 Q. Or that a layman would understand

7 it --

8 A. Yes.

9 Q. -- that wasn't involved in cigarette

10 design?

11 A. Yes.

12 Q. And cigarette design is a fairly

13 complex endeavor, isn't it?

14 A. Yes.

15 Q. And understanding how a cigarette

16 works is a fairly complex endeavor, correct?

17 A. Yes.

18 Q. And understanding how it affects the

19 body is a fairly complex endeavor, isn't it?

20 A. Yes.

21 Q. And you were able to simplify it,

22 right?

23 A. Part of my role was to help make that

24 transition. Now, I never gave any of the

25 presentations and I was not -- it was not my role

1 to, you know, develop the substance of these
2 presentations.

3 Q. Sure.

4 A. But I was there to help.

5 Q. But the scientists would tell you
6 what they found or were finding, and you would
7 translate that into plain English for the board to
8 understand?

9 A. Yes. But the scientists -- what we were
10 reporting to the board was the Beta product and why
11 we wanted to pursue it. And remember, a board
12 that's seeing in the newspaper that Reynolds has
13 Premier in the marketplace can't help but ask the
14 chairman, "Hey, I saw Premier was introduced last
15 week in test. What have we got?"

16 Q. Right.

17 Who asked you to become part of
18 Project Table, if anybody?

19 A. Specifically, I don't know. I don't
20 remember.

21 Q. Who else was on the Project Table --
22 strike that.

23 Would you -- is it fair to say that
24 there was a Project Table team?

25 A. Yes.

1 Q. Who was on the Project Table team?
2 You?
3 A. I was. Cliff Lily was.
4 Q. Dr. Levy was?
5 A. Carolyn was. Steve Parrish.
6 Q. Who is Mr. Parrish?
7 A. At the time he was -- he was the lawyer in
8 U.S.A. He has since been moved to corporate and now
9 is the PR guy in corporate.
10 Q. Okay. Who else was on the team?
11 A. Jack Nelson.
12 Q. And Jack's in sales, correct?
13 Mr. Nelson's in sales, or -- strike that.
14 A. No.
15 Q. Maybe a different Jack Nelson?
16 Actually, I'm thinking of Doug Nelson.
17 A. Doug Nelson. Yeah, Doug's in sales.
18 Started out in finance.
19 Q. What was Jack Nelson's position at
20 the time that he joined Project Table?
21 A. When he joined Project Table, he was heading
22 up PR and government relations in U.S.A., in the
23 domestic cigarette business.
24 Q. Okay. We've got you, Lily, Levy,
25 Parrish, Nelson. Who else?

1 A. Bob Mikulay got involved in it, from a
2 marketing point of view.

3 Q. Sounds to me like you were bringing
4 functions together.

5 A. That's right. That's what it was.

6 Q. So we got -- what was your function?
7 Were you operations at that time, or planning?

8 A. Well, I -- you know, I'm a generalist, so
9 it's hard to say what I was. My role was to help in
10 any way I could.

11 Q. Okay.

12 A. And hence, I offered to do whatever was
13 needed, and so I served a couple of functions. When
14 you work on these committees, you find that -- I
15 mean, that people come to meetings, but they don't
16 necessarily have a lot of time to give to a special
17 project. So -- and I was excited about the project
18 and was happy to help in any way I could.

19 Q. And you got Dr. Lily from R & D --

20 A. Yes.

21 Q. -- correct?

22 Do you have high regard for Dr.
23 Lily's skills and abilities?

24 A. Yes, I do.

25 Q. Is it fair to say that Dr. Lily was

1 highly regarded at Philip Morris?

2 A. Yes. Cliff Lily is highly regarded at
3 Philip Morris and was highly regarded at Philip
4 Morris. He's -- he's a well-respected employee and
5 a solid scientist.

6 Q. And Dr. Levy came from the marketing
7 end of things? I mean, she had been in R & D, so
8 did she bring any of that to bear on this project or
9 her R & D experience?

10 A. Well, no. Carolyn had been in R & D many,
11 many years ago, but Carolyn's forte is really
12 consumer research.

13 Q. Okay. So that was what she brought
14 to the table, her understanding --

15 A. Yes.

16 Q. -- of consumer research?

17 A. Um-hum.

18 Q. And did she ever report in any of
19 these -- in any -- strike that.

20 In any discussions you had regarding
21 Project Table with Dr. Levy, did she ever report
22 that her findings were concluding that consumers
23 were requesting that a product -- that a cigarette
24 be less hazardous to human health?

25 A. I don't know that -- Carolyn's -- Carolyn's

1 role in Table came sort of later. She was not --
2 she was not active in the original -- the original
3 core group. She joined us later on, and she -- she
4 really didn't do any -- I mean, she didn't connect
5 her active research of conventional cigarettes to
6 Beta.

7 Q. Who else -- well, strike that.

8 What was Mr. Parrish's --

9 A. He chaired.

10 Q. -- function?

11 He chaired the committee?

12 A. He chaired the group.

13 Q. Is it fair to say that Table was an
14 important project at Philip Morris?

15 A. It was -- it was an important project to me.
16 It was not an important project to everybody in the
17 corporation. Different people have different points
18 of view on new products. There are some people who
19 are happy with conventional products and who are
20 very skeptical about product development, and do
21 not -- do not have a whole lot of imagination in
22 terms of seeing something new and different be part
23 of a successful business. So you had, you know,
24 believers and disbelievers. And as Premier faltered
25 in tests, the disbelievers, you know, had more of a

1 voice.

2 Q. Aren't you still working on a
3 successor right now to Project Table, called
4 "Project Beta"?

5 A. I don't know what it's called today.

6 Q. It's a -- it's a similar --

7 A. There is a group -- there is a group that
8 continues to work on it. I have had no involvement
9 with them in the last three years. I mean, I
10 have -- but they -- there is a group that continues
11 to work on it.

12 Q. And you're not aware that it's --

13 A. I have no idea.

14 Q. -- going to be test-marketed?

15 A. I have no idea. No idea. That's a group
16 that functions totally separate from our other
17 business. They do not discuss their work at all.
18 You see them occasionally in the hall. But they
19 have nothing to do with those of us who are involved
20 in the conventional business. So I have no idea
21 what it is.

22 Q. You haven't spoken to Dr. Lily --

23 A. No.

24 Q. -- about this project that I'm
25 talking about?

1 A. No. No. No.

2 Q. Have you told me everybody that was
3 on the Project Table team?

4 A. They're all the people I actively -- that I
5 remember. There were times that Rich Karchman would
6 come to our meetings. There were times that Kathy
7 Ellis, you know, would stop by; Harold Burnley. I
8 mean, there are different people in R & D who at
9 times would come in to talk about an aspect of it
10 but who were not ongoing members of the group. The
11 names I've given you are the core group. Even Jim
12 Myron called from time to time, might even stop in.
13 But they're not -- they weren't sort of -- they
14 weren't the active core group.

15 Q. Where were you --

16 MR. HEIM: Excuse me. At a
17 convenient time, I would like a bathroom stop.

18 MR. SHUB: We could do that right
19 now.

20 MR. HEIM: Want to do that now?
21 Just five minutes.

22 MR. SHUB: It's not a problem.

23 MS. BRACHTL: Can we make it 10
24 minutes? I just need to make a phone call.

25 VIDEO OPERATOR: Off the record at

2062822094

1 2:46.

2 (Brief recess taken.)

3 VIDEO OPERATOR: Back on the record
4 at 3:17.

5 BY MR. SHUB:

6 Q. Ms. Reuter, when did Project Table
7 come into existence?

8 A. I'm not sure exactly when. It was in the --
9 I don't know whether it was late '91, early '92. I
10 don't know. In that time frame somewhere. I don't
11 remember specifically.

12 Q. How did you first hear about Project
13 Table?

14 A. Well, it was a logical progression from work
15 that had been done on Beta, and I was aware of the
16 Beta work and had been involved in the board
17 presentation. Once we had the blessing of the board
18 to go ahead and proceed with the further development
19 of Beta and also to consider how one might best
20 commercialize it, was when the Table group was
21 formed.

22 Q. Have you ever heard of Project
23 Gamma?

24 A. No. But Sigma -- Sigma preceded Beta.

25 Q. That was my next question.

2062822095

1 A. So it had been going on for many years, and
2 I was not part of those earlier renditions. I was
3 in other functional areas of the company at the
4 time.

5 Q. You don't why it's now, according to
6 Mr. Lily's testimony last week, why it's now called
7 Project Beta again?

8 A. No. But I, you know, to me, it's always
9 Beta and always will be. Because that's -- that's
10 when I think you began to get a product that was
11 smokeable.

12 Q. You mentioned one of the negative
13 connotations of the -- one of the negative
14 connotations that the Beta prototype was designed to
15 address was that the regular cigarette emits smoke.
16 Do you remember that testimony?

17 A. Yes.

18 Q. Is that an issue of social criticism
19 or is that a health issue when you're referring to
20 the emission of smoke?

21 A. It's social criticism. Visible smoke is an
22 annoyance to nonsmokers. To smokers -- to some
23 smokers, it's part of the mystique of smoking and
24 they actually love watching the smoke curl up in the
25 air. But to nonsmokers in a confined area, it

1 becomes an annoyance. So --

2 Q. So the emission of smoke was in no
3 way related to an issue of health consequences of
4 environmental smoke?

5 A. Not from our point of view.

6 Q. Did Table ever cease to exist as a
7 group or as a project?

8 A. Yes, in the sense that the Table group put
9 together a presentation to senior management. It
10 was when Mike Miles, I believe, was still chairman.
11 He has since left the company. But anyway, it was
12 in that era, and we presented to a group of
13 corporate folks; and it was after that that Table
14 disbanded and an actual working group with people
15 assigned, whose jobs it was to continue the work we
16 had started, was created. And that group, Jack
17 Nelson was selected to head up, and that exists
18 today.

19 Q. And when was your last involvement
20 with Table?

21 A. Well, my last involvement was when we
22 presented at that meeting. After that, it was -- as
23 I say, it was turned over to Jack Nelson. He set up
24 a department, a group of people to deal with it, and
25 I went off and did these other jobs that I've

1 already talked to you about.

2 Q. Who made the presentation to the
3 board?

4 A. You know, I don't remember who made --
5 because I wasn't actually -- there are actually
6 there were more than one presentation. The first
7 one, Ken Houten gave to the board. Ken and Bill
8 Campbell, I think, did it together. You know, when
9 you put these presentations together, unless you're
10 physically in the room -- and I was not, when it was
11 presented -- sometimes it's hard to know which
12 piece -- which person talks, you know. But anyway,
13 the two of them were definitely involved in that
14 presentation. And then for the next go-round, I
15 assume Campbell was still involved. Whether Ken had
16 any speaking role, even whether Cliff Lily or who
17 else was in the room, I really -- I don't know. I
18 don't know that.

19 Q. So you were involved -- strike that.
20 For how many years were you involved
21 in the Table project? Was it about a year or two?

22 A. Yeah. Well, I would say it was two or three
23 years, because I started -- I was interested in it
24 when I was in planning. And then when I moved from
25 planning over to work for Serrano, I was still

1 interested in it and still involved in it from a
2 development point of view, and then through into
3 when we presented and the Table group disbanded and
4 the -- so whatever that time frame was, that's what
5 it was. I don't know, two or three years, how many
6 were in there.

7 Q. What specifically -- strike that.
8 During that two year period, what -- let me start
9 again.

10 During that two-year period you were
11 involved with Table, what percentage of your time
12 would you say was devoted to Project Table?

13 A. What percent of my time? Very little,
14 really. Very little. The Table meetings were every
15 few months or so, and people went away with
16 assignments that revolved around their functional
17 areas. And I offered to help out in any way I
18 could, again, because I actually believed in the
19 project and thought it was something that we should
20 move ahead.

21 What happens in a company is, you
22 have a lot of people on committees who come to the
23 meetings, but they have other job responsibilities
24 and other priorities and so they don't necessarily
25 get wholeheartedly involved in a given project.

1 Q. But you would say you were
2 wholeheartedly involved?

3 A. As much as I could be, yes, because I
4 believed in it.

5 Q. What did you believe -- what was it
6 about Project Table that you believed in?

7 A. I believed that the Beta prototype was a
8 steppingstone to a better cigarette and that Philip
9 Morris should put resources and energy and make a
10 real commitment into developing it further and
11 taking it to market.

12 Q. And does a better cigarette, to you,
13 mean removing the negative connotations that you
14 suggested earlier?

15 A. Yes.

16 Q. That makes it a better cigarette?

17 A. Yes. Yes, recognizing that you may not be
18 able to remove all of the negative connotation. In
19 other words, you may not be able to create sort of
20 the perfect cigarette, but one should have that as
21 one's goal and then see how far along the spectrum
22 you can get.

23 Q. The negative connotations that we
24 discussed earlier, and if you want me to repeat what
25 I think they are, or if you -- I'm sure you know

1 what the five are, can you prior -- was there during
2 Project Table a priority of what was most important
3 to address first of the five or what was least
4 important?

5 A. No. I mean, I don't remember a specific
6 hierarchy of things. We were looking to develop a
7 better product, and, you know, when you're involved
8 in product development, it takes you different --
9 different things take you in different directions at
10 different points in time. And so we were just
11 trying to be better in any way we could, recognizing
12 that we may not come up with, you know, an ideal.

13 Q. Was the reduction of biological
14 activity the primary objective of the project?

15 A. No, because what we wanted to do was come up
16 with a better cigarette. It was unknown whether one
17 could successfully do that and have a smokeable,
18 pleasurable product. Remember, we're in the
19 consumer -- the consumer product business here. And
20 just because you can develop something that you
21 think is better in a laboratory doesn't mean that
22 the smoking public is going to want it.

23 Q. In your mind, Ms. Reuter, if Philip
24 Morris could have addressed all the negative
25 connotations except the biological activity

1 question, would you have considered Philip Morris to
2 have made a better cigarette?

3 A. Yes.

4 MR. HEIM: Objection to form.

5 Q. If Philip Morris could have removed
6 all the negative connotations that you earlier
7 listed but could not address the issue of avoiding
8 fires, would you say Philip Morris made a better
9 cigarette?

10 A. Yes.

11 Q. If Philip Morris could have
12 eliminated all the negative connotations you talked
13 about earlier, with the exception of the emission of
14 smoke connotation, would you think that Philip
15 Morris had made a better cigarette?

16 A. Yes. I mean --

17 Q. Let me finish.

18 MR. HEIM: No, no, no.

19 MR. SHUB: Well, that's not a --
20 Bob, there's not a question.

21 A. All right.

22 MR. SHUB: She answered the
23 question, and she shouldn't -- you know, the
24 gratuitous comments are unnecessary.

25 MR. HEIM: All right. I don't --

1 well --

2 Q. If you want to correct a previous
3 statement or you want to add to an answer --

4 MR. HEIM: No, go ahead. All right.

5 MR. SHUB: Okay.

6 MR. HEIM: I was inclined to say go
7 ahead and until you kept talking. Now I'm inclined
8 to say don't.

9 Q. Ms. Reuter, do you have something to
10 add?

11 A. No. That's fine. Thank you.

12 Q. If Philip Morris could have
13 eliminated all the negative connotations except for
14 the connotation dealing with the creation of ash,
15 would you say that Philip Morris made a better
16 cigarette?

17 A. Yes.

18 Q. If Philip Morris could have removed
19 all the connotations except for the issue of odor,
20 would you say that Philip Morris had made a better
21 cigarette?

22 A. Yes.

23 Q. Which of the -- which negative
24 connotation, in your mind, was of highest priority
25 to address?

1 MR. HEIM: Objection to form.

2 A. That's hard to say. You know, different
3 things are of different importance to different
4 smokers, and we're interested in coming up with a
5 product that's, you know, most appealing to the
6 greatest number of smokers.

7 Q. So the answer is no one issue that
8 you -- no one connotation that you talked about
9 earlier was more important than another?

10 A. Not to me, and we didn't sort of prioritize
11 them that way. We were trying to come up with the
12 best product we could come up with, and we knew we
13 had all these things that various people had
14 criticized us for over time. And so, you know,
15 you're reaching for the very best product you can
16 possibly create, recognizing that you may never get
17 there. And so -- but you're grateful for things
18 that you are able to achieve along the way.

19 Q. Is it fair to say, Ms. Reuter, that
20 the reason that Philip Morris was looking at the
21 Beta prototype was exclusively because of consumer
22 criticisms of its present product?

23 A. That's not fair to say, to use your term.
24 It wasn't exclusively that. When things are
25 developed at a company, they happen for all sorts of

1 reasons, and nothing is exclusive. You know,
2 certainly one of the major overriding goals was to
3 come up with an acceptable product that the consumer
4 would be interested in. There's no question. But
5 things happen in research and development because
6 certain scientists are interested in pursuing
7 certain things, or certain people in managerial
8 positions like a certain idea or have a pet peeve of
9 their own. So all of these things come into play in
10 new product development at Philip Morris, and any
11 other place, for that matter. It's sort of human
12 nature.

13 MR. SHUB: Why don't we mark this
14 first exhibit.

15 (Exhibit Reuter-1, Draft Version of Competitive
16 Analysis, authored by B. Reuter, marked for
17 identification.)

18 Q. Ms. Reuter --

19 A. Yes.

20 Q. -- I'm placing before you what the
21 court reporter has marked as Reuter Exhibit 1. It
22 bears the Bates stamp numbers 2020154466 --

23 A. Yes.

24 Q. -- through 4475, and ask you to take
25 a look through this document, if you would.

1 A. Um-hum.

2 Q. Have you seen this document before,
3 Ms. Reuter?

4 A. Yes.

5 Q. Did you see it yesterday?

6 MR. HEIM: Objection. Don't answer
7 that question. That invades attorney-client
8 privilege.

9 MS. BRACHTL: What did you say?

10 MR. HEIM: I said it invaded
11 attorney-client privilege in a case in the Third
12 Circuit.

13 MS. BRACHTL: What --

14 MR. SHUB: Well, it's actually work
15 product, but I'm not going to clutter the record.

16 MS. BRACHTL: What was the question?

17 MR. SHUB: If she saw the document
18 before.

19 I think it's work product of any --

20 MR. HEIM: I think you may be right.
21 It may be that it's the work product doctrine.

22 MR. SHUB: Okay. But we're not
23 going to argue about that.

24 MR. HEIM: It's not important.

25 MR. SHUB: I respect that objection.

1 MS. BRACHTL: Did you direct her not
2 to answer?

3 MR. HEIM: Yes, I did.

4 MS. BRACHTL: Okay.

5 BY MR. SHUB:

6 Q. Ms. Reuter, your name appears to be
7 on the front page of this document. Is that
8 correct?

9 A. Yes, it does.

10 Q. "B. Reuter," is that you?

11 A. That's me.

12 Q. Is your name on the front of this
13 document because you're the author --

14 A. Yes.

15 Q. -- of this document?

16 As far as you can recall, this
17 document is actually longer in length than what I've
18 actually shown you. Is that correct?

19 A. Yes. There's a whole piece missing.

20 Q. I'd like to know where it is. We
21 don't have it.

22 A. You don't have it? Oh. It's not bad
23 reading --

24 Q. Did I miss anything?

25 A. -- if I do say myself.

1 Well, yes, I think so. But --

2 Q. I'd like to know. Tell me what I
3 missed.

4 A. It -- no. The piece -- the piece that's
5 missing has to do with organizing the -- a new kind
6 of production approach to support a new kind of
7 organization that would be the best, in my opinion,
8 for the development and commercialization of this
9 kind of product.

10 Q. I guess the leaker didn't find that
11 part to be too attractive, because we didn't get it.

12 A. Right. It's too mundane for somebody who's
13 looking for stories.

14 Q. Exactly.

15 Were you the sole author of this
16 document?

17 A. Yes.

18 Q. You sought input from your Project
19 Table colleagues, did you not, in writing this
20 document?

21 A. I sought input from Cliff Lily for this
22 document in terms of verifying some of the things
23 that I was gleaning from my research and choosing to
24 include in this document. So I would double-check
25 with Cliff to make sure that what I was saying was

1 accurate. I based this document on a number of
2 sources and the -- a variety of sources, as a matter
3 of fact, but one in particular, which was Smoking:
4 The Artificial Passion.

5 Q. Is Mr. Lily the only -- Dr. Lily,
6 excuse me -- the only Philip Morris person that you
7 consulted in the preparation of this document?

8 A. I don't remember whether he was the only
9 one. I had -- my tendency when I worked on anything
10 that had to do with the product was to check with
11 Cliff about it, because I respected Cliff's
12 knowledge and understanding of our product. And I
13 also from time to time would check with Rich
14 Karchman, too, but not to the same extent as Cliff.
15 Cliff was really my, you know, my reference, other
16 than written documents. I would always check with
17 him. In this document also was some search -- it
18 was the patent search, and that stuff's missing,
19 too. Anyway --

20 Q. How many hours did you spend in your
21 estimation drafting this document?

22 A. Gee, I don't remember. I wouldn't have a
23 clue. I had read the book Smoking: The Artificial
24 Passion. I was reading some other articles. I had
25 to do a patent search. I was reading press

1 clippings on what was happening. At this time you
2 had a lot of activity with patches and interesting
3 predictions of what the patch business was going to
4 develop into. So I was doing a lot of reading and
5 researching of what was in the press.

6 Q. Did Cliff Lily ever see -- strike
7 that.

8 Did you furnish to Cliff Lily any --
9 strike that. Let me start over.

10 Did you give this document -- albeit
11 maybe in a longer version, because it's not complete
12 as I presented it to you -- to Cliff Lily to look at
13 to get his thoughts on it?

14 A. I don't remember whether I gave him the
15 entire document prior to the meeting or whether I
16 would have faxed pages to him or if I simply read
17 parts of it to him over the phone. I have worked
18 with Cliff on a lot of presentations before, and so,
19 depending upon what the thing was or what the issue
20 was, we worked in all different ways. But since I'm
21 not a scientist and not a specialist, whenever I
22 would be writing something that was in his realm, I
23 always felt compelled to check it with him.

24 Q. Who in your estimation received --
25 strike that.

1 To whom was this document furnished,
2 albeit maybe in a longer version than what I've
3 presented to you?

4 MR. BEIM: John, why don't -- to
5 save you the trouble of having you do that, why
6 don't we just stipulate that the document that she
7 authored had on that second piece, and so you won't
8 have to worry about doing that each time.

9 MR. SHUB: Thank you.

10 Q. And that's true, right?

11 A. Yes.

12 Q. It did have a second piece to it?

13 A. It has a second piece. It was furnished to
14 members of the Table group.

15 Q. And those would be the individuals
16 that we talked about earlier --

17 A. Yes.

18 Q. -- correct?

19 A. Yes. It was given to them.

20 Q. Including Dr. Levy, correct?

21 A. Yes, although I have no idea who read it.
22 In other words, it was not presented at, you know,
23 one meeting and then read and then discussed at
24 another meeting. There was no discussion about it.
25 It was not the subject of a -- you know, of a real

1 review.

2 Q. When you say "not subject of a real
3 review," what do you mean by that?

4 A. Well, sometimes in a corporation, you issue
5 a document at a meeting and everybody takes it away,
6 and then at the next meeting people come back with
7 their comments and critique it and talk to you about
8 it, and, you know, you work from there. It was not
9 that kind of a document.

10 Q. Okay. How was this document
11 disseminated?

12 A. It was passed out around the table.

13 Q. At a meeting?

14 A. At a meeting.

15 Q. Prior to when that -- prior to when
16 this document was passed out, is it your testimony
17 that Cliff Lily was the only person that you
18 consulted at the company in connection with the
19 drafting of this document?

20 A. No, because -- for example, I -- the patent
21 search in here, I had to work --

22 Q. That's not really my question. It's
23 not really my question --

24 A. Oh.

25 Q. -- that I wanted to ask.

1 A. Oh.

2 Q. But you can answer that one. We'll
3 ask another one.

4 A. All right. No. Like the patent search, I
5 had to work with the library, the librarian, in
6 order to run the patent search.

7 Q. Right.

8 A. And then in terms of getting articles, I
9 read myself, but I don't always get the Financial
10 Times, for example.

11 Q. Sure.

12 A. So if I need an article from the Financial
13 Times, then I've got to go get it through a clipping
14 service. So I had to go fishing, and then I had to
15 go to our own -- we have an in-house clipping
16 service, so I had to go there. So I went fishing as
17 a good old researcher, you know, to pull this
18 information together.

19 Q. Now, let me ask what I meant to ask.

20 A. Okay.

21 Q. And that is, prior to the
22 dissemination of this article, Cliff Lily was the
23 only one that you consulted with in terms of getting
24 a colleague's thoughts on the contents of this
25 report?

1 A. He was the primary one. I may also have
2 talked to Rich Karchman.

3 Q. Okay. You said that.

4 A. Because Karchman is also a scientist and
5 someone who -- one would logically talk to, as well.
6 But Cliff Lily was my main contact.

7 Q. Do you still have a copy of the
8 Project Table document in your files at Philip
9 Morris?

10 A. My files are all part of a -- a legal thing,
11 yes, and they exist and they're all there. And a
12 lot of other people have a copy of it. And Alex
13 Friedman did me the courtesy of putting it on the
14 Internet.

15 Q. So you're famous?

16 A. It's very, very accessible.

17 Q. You're famous. Not the second part
18 of it, though.

19 A. Sloppy.

20 Q. Did anyone edit this document other
21 than yourself?

22 A. No.

23 Q. Did anyone critique this document?

24 A. I don't know what you mean by that.

25 Q. Did anyone look at this and give you

1 their thoughts on it, formally or informally?

2 A. No, no, not -- no.

3 Q. Okay. Did anyone at the company
4 ever tell you they believed that there was anything
5 incorrect in this document?

6 A. No. But I don't know how many people
7 actually read it. I mean --

8 Q. I didn't ask you that question.
9 I'll move to strike that -- the second part of the
10 response as nonresponsive.

11 MR. BEIM: And I'll object to the
12 motion.

13 Q. Did anyone ever tell you at Philip
14 Morris that they believed that there was false
15 information in this document?

16 A. Did anybody tell me there was false --

17 Q. Right.

18 A. No.

19 Q. Did anyone ever tell you at the
20 company that any terminology that you used in this
21 document was incorrect?

22 A. No.

23 Q. Did anyone at the company ever tell
24 you that any of the terminology that you used in
25 this document should be deleted from the document?

1 A. No.

2 Q. Did anyone at the company ever tell
3 you that any of the terminology in this document
4 should not be used in Philip Morris internal
5 documents?

6 A. No.

7 Q. Was this document meant to be
8 distributed outside of Philip Morris?

9 A. No.

10 Q. This was supposed to be a
11 confidential document, correct?

12 A. Yes.

13 Q. A sensitive document, correct?

14 A. Yes.

15 MR. HEIM: Objection.

16 Q. One that you wouldn't want people
17 outside of Philip Morris to read, correct?

18 A. This was a -- related to a new product
19 development. Any new product development work in a
20 company --

21 Q. Is?

22 A. -- is confidential.

23 Q. Of the highest nature, correct?

24 A. Yes.

25 Q. It's competitively very sensitive,

1 correct?

2 A. Yes.

3 Q. Were you ever reprimanded at Philip
4 Morris for drafting this document?

5 A. No.

6 Q. You mentioned that this document has
7 found its way onto the Internet. Is that correct?

8 A. Yes.

9 Q. Do you know how that happened?

10 A. I think I know how. I'm not a hundred
11 percent certain.

12 Q. Was this document, in your
13 estimation, given to members of the press at any
14 time?

15 A. Yes.

16 Q. Was it given to members of the press
17 by someone at Philip Morris?

18 A. I don't believe so.

19 Q. Sitting here today, do you believe
20 that there's anything factually incorrect in this
21 document?

22 A. No.

23 MR. SHUB: Let me take a five-minute
24 break.

25 VIDEO OPERATOR: Off the record at

1 3:49.

2 (Brief recess taken.)

3 MR. MAUNEY: Back on the record at

4 3:57.

5 BY MR. SHUB:

6 Q. Ms. Reuter, do you remember the
7 month in which this was -- strike that.

8 Did this take you a few days to
9 draft or a week or how long did it take? Just
10 roughly.

11 A. Well, roughly, I would say it took me a
12 couple of weeks. There are three parts to this
13 paper, and the initial part was based on a book I
14 had read called Smoking: The Artificial Passion.
15 And so a lot of -- so that was a key source for the
16 initial part. The rest of it, in the first section,
17 had to do with doing patent searches and finding out
18 who was working on what kind of smoking-related
19 products, and then I had to also look into specific
20 companies' sizes and read annual reports and so
21 forth, and that took a while to collect. And then
22 the part that's missing had to do with production
23 and how one -- the kind of company that one would
24 want to produce this new product in. And that meant
25 reading up on breakthrough kinds of manufacturing

1 organizations. So it took me a number of weeks to
2 pull it all together, at least; but I don't remember
3 specifically how much time I spent on it, because I
4 also had other work to do at the same time.

5 Q. In drafting this document, Ms.
6 Reuter, did you utilize knowledge that you'd gained
7 at Philip Morris for the 19 or so years that you
8 were working -- well, actually, for the number of
9 years that you were working for Philip Morris at the
10 time?

11 A. Yes, I was clearly influenced by my
12 experience at the company, and you are in anything
13 you write. You write from your own experience. I
14 was also using documents, be they the book I've
15 cited, the press, the patent search, any research
16 that I could get my hands on that related to it, to
17 the subjects at hand, pulling all that together and
18 then selecting what I believed were the key points
19 to include in this document. Whenever you write a
20 document in a company, be it a draft memo, or
21 what-have-you, the idea is to be as concise and to
22 the point as you can, with the hope that people will
23 read it. Most business people don't like to read
24 more than a page or two, so you can never want to be
25 verbose.

1 Q. Do you see handwriting on the
2 first -- second page of this document?

3 A. Yeah, I do.

4 Q. Do you know whose handwriting that
5 is?

6 A. No, I don't, because it wasn't on mine.

7 Q. I'm sorry?

8 A. Well, you know, when I produced this
9 document, it didn't have little markings in the --
10 so --

11 Q. It's not your handwriting?

12 A. It's not my handwriting. I don't -- I don't
13 know whose it is. You have written on the front of
14 this "Lily #26," so maybe it's Cliff's. I don't
15 know.

16 Q. Okay.

17 A. That would just be --

18 Q. Sure. It's speculation.

19 The answer is you don't know whose
20 it is?

21 A. -- speculation and guess.

22 Don't know.

23 Q. Okay.

24 Did you ever talk with Steve Parrish
25 about this document, at any point in --

1 A. Ever?

2 Q. At any point in your career at
3 Philip Morris.

4 A. Yes.

5 Q. When?

6 A. Steve Parrish was at the meeting when I
7 passed out the document, so he was handed a copy.
8 There was no real discussion of the document at that
9 meeting. And then subsequently, when Alex Friedman
10 called to tell me that she had my document and was
11 about to publish an article on it, and did I have
12 any comments, I --

13 Q. Alex Friedman is a reporter at the
14 Wall Street Journal?

15 A. Yes.

16 -- I called Steve Parrish to tell
17 him.

18 Q. Did you have any discussion with
19 Mr. Parrish about the substance of what's contained
20 in any way in this document?

21 A. Personally, no.

22 Q. Mr. Parrish didn't tell you at the
23 time that you told him that Al Friedman had
24 contacted you that he believed there was anything
25 incorrect in this document, right?

1 A. No. He did not discuss the substance of the
2 document with me at all.

3 Q. And you've never discussed it with
4 him, correct?

5 A. That's true.

6 Q. Have you discussed the substance of
7 the document with any other senior manager at Philip
8 Morris?

9 A. No.

10 MR. SEUB: I have no further
11 questions at this time. I would like to thank you
12 for your time, Ms. Reuter.

13 MS. BRACHTL: Let's go off the
14 record.

15 VIDEO OPERATOR: Off the record at
16 4:03.

17 (Brief recess taken.)

18 VIDEO OPERATOR: Going back on the
19 record at 4:17.

20 CROSS-EXAMINATION BY MS. BRACHTL:

21 Q. Ms. Reuter, I'm Martis Bracht1. I'm
22 going to be asking you some questions now, follow-
23 up, really, to the questions that you've been asked
24 already today.

25 MS. BRACHTL: Mr. Heim, I'm taking

1 this deposition both in Arch, Barnes, and in the New
2 York action. To the extent that I might ask
3 questions that are appropriate in one case and not
4 the other, certainly defendants have the right to
5 move to preclude that portion of the testimony in
6 the event you feel that you need to do so.

7 Q. Ms. Reuter, we talked a bit about
8 the document that has been marked Exhibit 1. Can
9 you tell me your best recollection of the date on
10 which you prepared that?

11 A. I'm not sure specifically when this was
12 prepared. I believe it was sometime in -- I don't
13 know -- '91 or '92, somewhere around that time
14 frame. But I really don't remember.

15 Q. Do you remember the season?

16 A. Do I remember the season? No. I remember
17 the -- being in Richmond in R & D to pass it out,
18 but I don't really remember whether I was wearing a
19 coat that day or not. I don't -- I can't tell you
20 what time of the year it was.

21 Q. Okay. I'm going to ask you some
22 very general background questions. What is your
23 residence address?

24 A. My residence address?

25 Q. Right.

2062822123

1 A. I live in [DELETED]
2 Q. And what is your address?
3 A. [DELETED]
4 Q. Okay. And your business address in
5 New York City?
6 A. Philip Morris at 120 Park Avenue.
7 Q. Are you married?
8 A. Yes.
9 Q. Your husband's name is?
10 A. Is that relevant?
11 Q. Yes.
12 MR. HEIM: Well, whether it is or
13 not, I think you have to answer the question.
14 Someone else will decide whether it's relevant.
15 A. His name is William Williams.
16 Q. Okay. Is he employed?
17 A. Yes.
18 Q. Where is he employed?
19 A. Sullivan & Cronwell.
20 Q. And you've been married how long?
21 A. I don't know. Fourteen, 15 years.
22 Q. Does he smoke?
23 A. No.
24 Q. Has he ever?
25 A. Not to my knowledge.

1 Q. Do you have children?

2 A. Yes.

3 Q. Their names and ages?

4 A. I have a son. His name is Barrett and he's
5 nine years old.

6 Q. You talked about the meeting that
7 you had with your lawyers to prepare for your
8 deposition. I'd like to ask you a little more about
9 that. Where did that meeting take place?

10 A. At Philip Morris.

11 Q. Okay. And it was yesterday?

12 A. Yes.

13 Q. From when to when?

14 A. We started -- I don't know -- 10:30, 11:00.
15 And I had a 3:30 meeting, so it had to end at 3:30.

16 Q. Is that the only meeting that you've
17 had with counsel to prepare for your deposition?

18 A. Yes.

19 Q. Okay. Other than that meeting, have
20 you had any telephone conversations with counsel to
21 prepare for your deposition?

22 A. No.

23 Q. Have you had any written
24 communications with counsel to prepare for your
25 deposition?

1 A. No.

2 Q. You testified earlier that there
3 were two or three other attorneys present. Do you
4 remember whether it was two or three?

5 A. Well, they came and went.

6 Q. Okay. Were there three people in
7 addition to Mr. Heim who came and went?

8 A. Yes, I believe so.

9 Q. Do you remember the names of any of
10 them?

11 A. Not offhand.

12 Q. You have no idea what their names
13 were?

14 A. Well, one of them I've dealt with before,
15 but I block out her name, on purpose.

16 Q. Do you know who she works for?

17 A. Yes. She works for Davis Polk.

18 Q. And the other two, are they men?

19 A. Yes.

20 Q. Do you know -- you don't remember
21 their names?

22 A. No.

23 Q. Do you know who they work for?

24 A. I'm not sure which firms they're with.

25 Q. They are lawyers?

2062822126

1 A. Yes.

2 Q. Other than Mr. Heim, the woman, and
3 the two male lawyers, did anyone else come into the
4 room where you were working during your deposition
5 preparation session?

6 A. Yeah, I think some secretary delivered
7 something. I'm trying to remember. There were some
8 funny interruptions but nothing -- nothing material.

9 Q. It was just a delivery and then
10 leaving? She wasn't there during your preparation?

11 A. Right.

12 Q. Are you aware that other Philip
13 Morris employees have given deposition testimony in
14 the New York and the Barnes action?

15 A. Yes.

16 Q. Okay. Have you talked to anyone who
17 has given testimony in these cases about their
18 testimony?

19 A. No.

20 Q. Have you talked to -- have you
21 talked to anyone -- any Philip Morris employee who
22 has given deposition testimony in any case about
23 their deposition testimony?

24 A. No, not about their deposition testimony.

25 Q. Okay. Have you talked to someone

1 who has been deposed about something related to
2 their deposition testimony?

3 A. No. I spoke to Jeanne Bonhomme before she
4 gave her testimony, to give her an idea as to what
5 she would be facing.

6 Q. What did you tell her?

7 A. Well, I told her -- I told her that she
8 would not have a pleasant time of it; that she would
9 be asked questions that were not necessarily fair;
10 and that she should prepare herself.

11 Q. When did you have this conversation?

12 A. I don't know. About three weeks ago, four
13 weeks ago.

14 Q. And you had not ever been deposed,
15 right, at that time?

16 A. I had not been deposed, but I had been
17 before the Grand Jury.

18 Q. What was the basis for your telling
19 her that she would be asked questions that were not
20 fair?

21 A. My own experience with the Grand Jury.

22 Q. Okay. I'm going to do a very bad
23 name [sic] of pronouncing some names. Hopefully,
24 you'll know who I'm talking about.

25 Was Mr. Rhud Houminer --

1 A. Ehud Houminer.

2 Q. Was he dismissed from Philip Morris?

3 A. Yes.

4 Q. Why was he -- when was that?

5 A. Oh, when was Ehud? I'd have to -- it was in
6 the early '90s. Now, I don't know whether it was
7 '90, '91. I'm not sure what year Ehud went out and
8 Bill Campbell came in. Bill Campbell had been
9 working in marketing anyway, so he was already
10 around. But anyway, he moved up to take the
11 presidency.

12 Q. Do you know why Mr. Houminer was
13 dismissed?

14 A. Not specifically. I have my own ideas of
15 why.

16 Q. And what are your ideas about why he
17 was dismissed?

18 A. Ehud was a very bright -- and is a very
19 bright, shrewd businessman, but Ehud had difficulty
20 dealing with people problems and the politics that
21 are part of any major corporation. And in my
22 opinion, that was his downfall.

23 Q. Mark Serrano, was he also dismissed?

24 A. Yes.

25 Q. Do you know why he was dismissed?

1 A. Again, I don't know specifically why Mark
2 was dismissed when he was dismissed; but, again, I
3 have my own opinion as to why Mark was terminated.

4 Q. And your opinion is?

5 A. In my opinion, Mark -- again, Mark was
6 really one of the few people I ever worked for that
7 had vision, a future vision and a real passion for
8 the company and the business, but there were people
9 who did not like his style and the way Mark behaved
10 at times.

11 Q. He was dismissed when?

12 A. He was dismissed in 1990 -- let's see -- 2
13 or 3.

14 Q. '62 or 3?

15 A. No. '92 or '93, I'm not sure which.

16 Yeah. Around there. I'm not sure.

17 Q. Is he employed now, do you know?

18 A. I don't believe so. It's very difficult for
19 someone who has spent their career in the tobacco
20 business -- like Ehud and Mark, who are real
21 specialists -- to go find another position, because
22 they essentially cannot join a competitor.

23 Q. Do you know where Mr. Serrano lives?

24 A. Yes. He lives in [DELETED]

25 Q. Do you know what city?

- 1 A. In [DELETED]
- 2 Q. Is Mr. Huminjer employed?
- 3 A. Huminjer. I don't know what Ehud's doing
- 4 now. I -- again, Ehud -- similarly, he could teach,
- 5 he could work for a nonprofit organization, but
- 6 these -- these people don't have a lot of
- 7 flexibility.
- 8 Q. Do you know where he lives?
- 9 A. He was living in [DELETED] last I knew.
- 10 Q. When is it that you -- you testified
- 11 earlier that you spoke with someone from government.
- 12 Was that the FBI?
- 13 A. The FBI, no. No.
- 14 Q. Who was it? Justice?
- 15 A. Yes. This is the attorneys -- Assistant
- 16 Attorney Generals.
- 17 Q. And when did you speak with them?
- 18 A. I don't know. Last year.
- 19 Q. Do you know when?
- 20 A. I don't know which month. I believe it was
- 21 last year.
- 22 Q. So it was sometime in 1996?
- 23 A. Yeah.
- 24 Q. You don't remember what month?
- 25 A. It was warm. I didn't have to wear a coat.

1 I don't know. I guess it was in the --

2 Q. Did you testify?

3 A. Yes.

4 Q. How long did your testimony last?

5 A. It was two or three days one week and back
6 again the next week.

7 Q. So two or three days one week?

8 A. Yeah. Then I was invited back for another
9 week.

10 Q. And in the second --

11 A. Then they lost interest, because they had
12 bigger fish to fry in Washington.

13 Q. In the second week, how long did
14 your testimony last?

15 A. A couple of days.

16 Q. Two days?

17 A. At least two days.

18 Q. Maybe three days?

19 A. Maybe three, two or three. I don't know.

20 Q. And what did you testify about?

21 MR. HEIM: Well, wait a minute. No.
22 I'm not going to let her answer that question. I
23 think you're violating the Grand Jury secrecy, which
24 just is not supposed to be violated; and I think
25 you're putting the witness in jeopardy of her

1 responsibility not to violate that secrecy.

2 MS. BRACHTL: So you're directing
3 her not to answer?

4 MR. HEIM: Yes, I am.

5 MS. BRACHTL: I'm going to go a
6 little bit, and you'll object and direct her not to
7 if you don't want her to, but perhaps you'll let me
8 go a little bit.

9 Q. The memo that we've talked about
10 that's been marked Exhibit 1 here, did you testify
11 about that?

12 MR. HEIM: Don't answer.

13 Q. Okay. Have you discussed your
14 testimony with anyone other than your counsel?

15 A. No.

16 Q. You've not been deposed. You have
17 testified, as you've said here today.

18 Other than those two instances --
19 well, other than today and your testimony in 1996
20 that you've talked about, have you ever given other
21 verbal sworn testimony? That would be testimony at
22 a trial or an administrative proceeding.

23 A. No. I mean, my only other -- I did a thing
24 at small claims court a number of years ago.

25 Q. And that was something of a

1 personal nature?

2 A. That was a personal nature, yes.

3 Q. Okay.

4 (Pause in the proceedings.)

5 MR. HEIM: I know. This -- it's
6 driving me crazy, too.

7 THE WITNESS: You squeak. You
8 squeak, your chair.

9 MS. BRACHTL: I don't have any more
10 questions. Thank you very much.

11 THE WITNESS: You're welcome.

12 MR. HEIM: I have a few.

13 MS. BRACHTL: We have five minutes
14 of tape. Want to change the tape?

15 MR. HEIM: Yeah, might as well
16 change the tape.

17 VIDEO OPERATOR: Off the record at
18 4:32. This is the end of Tape 2.

19 (Brief recess taken.)

20 MR. HEIM: We can go back on the
21 record.

22 I just wanted to reaffirm, I guess
23 might be the word, that under the understanding
24 between the parties and perhaps the court rule as
25 well, that the transcript of this deposition and the

1 exhibit that has been marked in this deposition will
2 remain -- will be treated as highly confidential;
3 and before the end of 30 days, we will designate
4 those portions that are to be maintained as highly
5 confidential or confidential, but at least for a
6 30-day period it will be maintained that way.

7 Did I get that right, John?

8 MR. SHUB: Yes.

9 MR. HEIM: Okay.

10 VIDEO OPERATOR: Back on the record
11 at 4:34. This is Tape No. 3.

12 REDIRECT EXAMINATION BY MR. HEIM:

13 Q. Okay. In your testimony about
14 Exhibit 1, Reuter Exhibit 1, you made reference as
15 to having used as a resource a book called Smoking:
16 The Artificial Passion. Had you read that book
17 before you wrote this memorandum?

18 A. Yes, I had read the book prior to writing
19 the memorandum. Actually, a number of us on the
20 Table group had read the book, and it's a book that
21 deals with the whole subject of why people smoke
22 and, really, the appeal of smoking to many different
23 people over time.

24 Q. Who is the author of the book?

25 A. I honestly don't remember, but -- who wrote

1 it, but --

2 Q. Do you still have the book?

3 A. Yes, I still have a copy of the book, and I
4 recommend the book. It's good reading.

5 Q. Was the book published and available
6 to the consumers --

7 A. Yes.

8 Q. -- who might be interested?

9 A. It's available to the general public.
10 Anybody could get a copy of it.

11 Q. All right.

12 A. It's a hard-bound published document.

13 Q. Did you take any of the information
14 that appears in your memorandum directly from that
15 particular book?

16 A. Yes. It was a -- it was a key source, as I
17 noted earlier in my testimony, for this paper. And
18 I read it and underlined, as I'm wont to do in
19 books, key points, and used it to provide background
20 information that you see in this paper.

21 Q. Did you use any other publicly
22 available resource books, like dictionaries or
23 encyclopedias, to write any of this particular
24 memorandum?

25 A. Yes, I did refer to other documents. I was

1 interested in making sure that my analysis was
2 accurate and thorough, and, as an ex-academic, have
3 a tendency to seek out published sources when I
4 write things of this nature.

5 Q. Can you look at the memorandum that
6 you wrote and, if you are able to do so, designate
7 which parts of it you took from Smoking: The
8 Artificial Passion?

9 A. I'd have to go back and actually reference
10 the book to do that in any thorough way. But the
11 book does deal with how smoking -- how the smoking
12 act works physiologically, and also talks about why
13 people smoke, and so I referenced it, clearly
14 picking those passages that I felt were relevant to
15 what we were working on.

16 Q. And did you impart passages that
17 were written into the book into this memorandum?

18 A. Concepts, yes.

19 Q. How about sentences?

20 A. Similar. I'm sure the words are very
21 similar to what are in the book. Whether they're
22 verbatim or not, I would have to actually go back to
23 my notes and to the actual book.

24 Q. It's -- would you characterize part
25 of what you have written here as a paraphrasing of

Waga & Spinelli (973) 992-4111

2062822137

1 the book?

2 A. I think that's accurate. My -- it's my
3 habit to use index cards when researching things,
4 and making notes on index cards, and then
5 consolidating those thoughts and rewriting them into
6 a logically flowing document, which is what I was
7 attempting to do here.

8 Q. Did you agree with everything that
9 the author wrote in Smoking: The Artificial Passion?

10 MR. SHUB: Objection.

11 A. No, but I -- what I selected to use in this
12 document at the time I believed to be plausible. It
13 seemed logical and plausible to me to help explain
14 the subject matter I was discussing.

15 Q. Let me refer you to the second
16 paragraph on the first page after the cover sheet,
17 and specifically to the sentences that begin in the
18 second paragraph, and I am -- I want to direct your
19 attention particularly to the sentences that read
20 "Nicotine is an alkaloid derived from the tobacco
21 plant. It is a physiologically active nitrogen-
22 containing substance."

23 Do you recall where you got the
24 information to write those sentences?

25 A. Yeah. I recall checking a couple of sources

1 for that, including the dictionary, to make sure
2 that I was indeed including a true definition of
3 that substance as opposed to what someone may think
4 it is.

5 Q. And how about the sentence, "Similar
6 organic chemicals include nicotine, quinine,
7 cocaine, atropine, and" -- I'm not sure of that
8 word, but I think it's "moronine" -- do you recall
9 where you got that information?

10 A. Yes. I mean, that's also referenced --

11 MR. SHUB: For the record, it's
12 actually "morphine."

13 MR. HEIM: Oh, is it? Thank you.

14 MR. SHUB: It appears it's a typo
15 or it's hard to pick up on the copy.

16 THE WITNESS: No, it's not --
17 there's no typo in the --

18 MR. SHUB: It's not?

19 THE WITNESS: It is "morphine," and
20 there is no typo in the original.

21 MR. SHUB: I wouldn't -- I'm not
22 doubting your typing abilities here.

23 THE WITNESS: We didn't even have
24 spell-check in those days.

25 MR. SHUB: It didn't copy well,

1 but --

2 MR. HEIM: Okay. But thank you for
3 telling me what the word is, anyway.

4 BY MR. HEIM:

5 Q. Where did you get that information?

6 A. That's also -- a good dictionary will
7 include all of that in the definition. So will some
8 scientific dictionaries, as a matter of fact. I've
9 checked both.

10 Q. And what -- what are you intending
11 to convey with that sentence?

12 A. What I'm trying to convey with that sentence
13 is factually what nicotine is as a substance, and
14 just being very accurate in terms of what we
15 understand nicotine to be.

16 Q. And are you referring to its
17 chemical composition?

18 A. Its chemical makeup and, you know, what it
19 is.

20 Q. Now, in the next sentence, you make
21 reference to nicotine having a particularly broad
22 range of influence. What -- what did you intend to
23 convey by that sentence?

24 A. Well, to my mind, nicotine is a fascinating
25 substance that appears naturally in tobacco, and

1 nicotine has -- as a broad influence is based on the
2 fact that it's a substance that can both stimulate
3 and relax a person, depending upon the amount of
4 nicotine that's ingested. And that, to me, is
5 fascinating, that one substance can have such a
6 broad range of influence.

7 Q. And do you compare nicotine, the
8 effect of nicotine or the impact that nicotine can
9 have, with other substances in this memorandum?

10 MR. SHUB: Objection. The document
11 speaks for itself.

12 Q. You can answer.

13 A. Yes. Nicotine alters mood states, and I
14 refer to other things that alter mood states, like
15 caffeine, alcohol, and sugar. And Philip Morris has
16 often considered itself in the pleasure product
17 business, and -- I'm sorry -- the pleasure product
18 business, and these are all in our other products.
19 We're a big coffee manufacturer, we are -- make a
20 lot of candy, and we are in the beer business.

21 Q. And are you referring to the
22 next-to-last sentence on the page?

23 A. Yes. Yes, I am.

24 Q. You have a paragraph here that
25 refers to other reasons for smoking besides nicotine

1 delivery. Where did you get that information?

2 A. That would also come from the book, Smoking:
3 The Artificial Passion. But I also think there may
4 be some things on that list that may not be
5 specifically in that book. I was trying to collect
6 all the different reasons why different people
7 smoke, and to be comprehensive about it. So I went
8 on a search mission to identify all the different
9 reasons that different people had cited over time as
10 to why people smoke.

11 Q. And was this sentence and this
12 listing intended to be your -- the results of your
13 research and your views for why people smoked, other
14 than for nicotine delivery?

15 A. Yes. Because besides nicotine delivery,
16 people do smoke for a lot of other reasons, and some
17 of these reasons are more important to some people
18 than they are to others.

19 MR. HEIM: I have no other
20 questions.

21 MR. SHUB: We're going to have a
22 couple questions.

23 REDIRECT EXAMINATION BY MR. SHUB:

24 Q. Ms. Reuter, I just have a couple
25 questions following up to what Mr. Heim has just

1 asked you.

2 With respect to what passages you
3 selected from the book that we've discussed, have
4 you ever in your 21 years at Philip Morris ever seen
5 any documents at all that ever contradicted a single
6 fact that you took from that book and put into this
7 document?

8 A. I don't know. I put into this document what
9 I believed to be factually plausible and, to my way
10 of thinking, correct and accurate. Now, I don't
11 know whether it contradicts what others have written
12 at other points in time, in other documents in the
13 company. I don't -- I'm not privy to a lot of
14 what's been written, and so I don't know that. But
15 I was doing what I could do, to the best of my
16 ability, to try to clearly articulate the smoking
17 experience and why people smoke.

18 Q. Fine. But based on your tenure at
19 the company, when you wrote this document, were you
20 aware of any documents at Philip Morris that
21 contradicted what you thought to be correct or
22 factually plausible?

23 A. No. No.

24 Q. And the sources that you used for
25 this document, you considered to be traditional,

1 well-accepted sources. Is that correct?

2 A. Yes. And published documents, by and large.
3 I -- I was trying to do something here that would
4 cover the subject in a very simple, straightforward,
5 factual way.

6 Q. And in fact, you didn't think
7 anything you wrote here was even controversial at
8 the time you wrote it, did you?

9 A. That's true. I -- and that's why I checked
10 my sources, because I wanted to make sure what I was
11 saying here was indeed plausible and correct, to the
12 best of my knowledge.

13 MR. SHUB: I have no further
14 questions. Thank you for your time.

15 MR. HEIM: I have no further
16 questions, either.

17 VIDEO OPERATOR: Off the record at
18 4:49. This concludes the deposition.
19 (Proceedings concluded at 4:49 p.m.)
20 (Exhibits retained by the reporter.)
21
22
23
24
25

2062822144

J U R A T

I, BARBARA REUTER, do hereby certify that I have read the foregoing transcript of my testimony, taken on September 9, 1997, and have signed it subject to the following changes:

PAGE LINE

CORRECTION

Date:

BARBARA REUTER

Sworn and subscribed
before me
this _____ day of
_____, 19 ____

a Notary Public of
the State of _____

2062822145

C E R T I F I C A T E

I, DEANNA DEAN, a Notary Public and
Certified Shorthand Reporter, do hereby certify that
prior to the commencement of the examination,
BARBARA REUTER was sworn by me to testify the truth,
the whole truth, and nothing but the truth.

I DO FURTHER CERTIFY that the foregoing is
a true and accurate transcript of the proceedings as
taken stenographically by and before me at the time,
place and on the date hereinbefore set forth.

I DO FURTHER CERTIFY that I am neither a
relative nor employee nor attorney nor counsel of
any of the parties to this action, and that I am
neither a relative nor employee of such attorney or
counsel, and that I am not financially interested
in this action.


DEANNA J. DEAN, CSR, RPR
Notary Public and Certified Shorthand Reporter

2062822146